



# City of Busselton

*Geographe Bay*

**Financial Report**

**For the year ended**

**30 June 2016**

**City of Busselton**  
**Financial Report**  
**For the Year Ended 30<sup>th</sup> June 2016**

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City of Busselton

Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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 other information for the financial year ended 30th June 2016 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2016 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 11<sup>th</sup> day of October 2016



Mike Archer  
Chief Executive Officer

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Statement of Comprehensive Income by Nature or Type

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Revenue</b>				
Rates	24	39,160,121	38,998,079	36,435,431
Operating Grants, Subsidies and Contributions	30	4,423,460	3,580,496	5,725,267
Fees and Charges	29	15,251,233	15,099,480	14,577,884
Interest Earnings	2(a)	2,841,229	2,039,550	2,364,597
Other Revenue		2,434,572	534,090	472,824
		<u>64,110,615</u>	<u>60,251,695</u>	<u>59,576,003</u>
<b>Expenses</b>				
Employee Costs		(26,408,789)	(26,322,721)	(25,741,782)
Materials and Contracts		(13,698,936)	(15,183,305)	(13,607,132)
Utility Charges		(2,249,459)	(2,321,370)	(2,085,357)
Depreciation on Non-Current Assets	2(a)	(14,998,644)	(14,636,430)	(12,088,317)
Interest Expenses	2(a)	(1,325,698)	(1,340,955)	(1,051,214)
Insurance Expenses		(663,483)	(737,370)	(695,850)
Other Expenditure		(776,601)	(1,111,672)	(1,109,427)
		<u>(60,121,610)</u>	<u>(61,653,823)</u>	<u>(56,379,079)</u>
		<b>3,989,005</b>	<b>(1,402,128)</b>	<b>3,196,924</b>
Non-Operating Grants, Subsidies and Contributions	30	25,422,452	37,417,983	61,822,972
Profit on Asset Disposals	22	30,164	16,007	85,916
Loss on Asset Disposals	22	(1,308,366)	(68,867)	(211,848)
		<u>24,144,250</u>	<u>37,365,123</u>	<u>61,697,040</u>
<b>NET RESULT</b>		<b>28,133,255</b>	<b>35,962,995</b>	<b>64,893,964</b>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	14	385,926	0	145,830,571
<b>Total Other Comprehensive Income</b>		<u>385,926</u>	<u>0</u>	<u>145,830,571</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>28,519,181</b></u>	<u><b>35,962,995</b></u>	<u><b>210,724,535</b></u>

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

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

### Statement of Comprehensive Income by Program

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Revenue</b>				
General Purpose Funding	2(a)	43,820,266	42,915,167	42,167,938
Governance		430,927	169,880	198,630
Law, Order & Public Safety		822,046	718,090	708,304
Health		404,319	328,720	376,631
Education and Welfare		7,302	6,050	6,227
Housing		458,980	443,080	432,770
Community Amenities		8,790,126	8,319,190	8,305,459
Recreation and Culture		3,237,226	3,336,485	3,256,492
Transport		3,713,761	1,596,040	1,591,747
Economic Services		1,959,981	2,074,008	2,067,241
Other Property and Services		465,681	344,985	464,564
		<u>64,110,615</u>	<u>60,251,695</u>	<u>59,576,003</u>
<b>Expenses Excluding Finance Costs</b>				
General Purpose Funding	2(a)	(944,226)	(975,565)	(1,179,899)
Governance		(4,532,519)	(4,580,336)	(4,300,889)
Law, Order & Public Safety		(2,657,626)	(2,761,526)	(2,540,537)
Health		(1,182,719)	(1,204,125)	(1,168,389)
Education and Welfare		(151,388)	(142,760)	(147,878)
Housing		(968,378)	(1,262,757)	(1,035,254)
Community Amenities		(10,008,939)	(10,896,423)	(11,376,752)
Recreation and Culture		(16,211,662)	(17,557,082)	(15,228,810)
Transport		(17,616,017)	(16,492,412)	(13,874,578)
Economic Services		(3,385,038)	(3,540,444)	(3,482,871)
Other Property and Services		(1,137,400)	(899,438)	(992,008)
		<u>(58,795,912)</u>	<u>(60,312,868)</u>	<u>(55,327,865)</u>
<b>Finance Costs</b>				
Governance	2(a)	(772,808)	(772,808)	(720,244)
Recreation and Culture		(487,093)	(487,093)	(272,456)
Transport		(47,410)	(47,410)	(55,030)
Economic Services		(3,044)	(3,044)	(3,484)
Other Property and Services		(15,343)	(30,600)	0
		<u>(1,325,698)</u>	<u>(1,340,955)</u>	<u>(1,051,214)</u>
<b>Non-Operating Grants, Subsidies &amp; Contributions</b>				
Law, Order & Public Safety	30	135,344	0	109,270
Health		16,845	0	14,887
Community Amenities		70,000	70,000	387,543
Recreation and Culture		11,571,642	12,585,148	5,045,148
Transport		13,628,621	24,752,835	56,266,124
Other Property and Services		0	10,000	0
		<u>25,422,452</u>	<u>37,417,983</u>	<u>61,822,972</u>
<b>Profit / (Loss) on Disposal of Assets</b>				
Governance	22	(1,005,595)	0	(45,070)
Law, Order & Public Safety		6,349	(9,550)	(7,088)
Health		(3,389)	(1,500)	(768)
Community Amenities		(12,851)	(1,973)	17,939
Recreation and Culture		(195,840)	(9,264)	(21,198)
Transport		(54,494)	(28,192)	(68,813)
Economic Services		(890)	2,400	(2,063)
Other Property and Services		(11,492)	(4,781)	1,129
		<u>(1,278,202)</u>	<u>(52,860)</u>	<u>(125,932)</u>
<b>NET RESULT</b>		<b>28,133,255</b>	<b>35,962,995</b>	<b>64,893,964</b>
<b>Other Comprehensive Income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	14	385,926	0	145,830,571
<b>Total Other Comprehensive Income</b>		<b>385,926</b>	<b>0</b>	<b>145,830,571</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>28,519,181</b>	<b>35,962,995</b>	<b>210,724,535</b>

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Statement of Financial Position

	Note	2016 Actual \$	2015 Actual \$
<b>Current Assets</b>			
Cash and Cash Equivalents	3	115,850,156	119,604,734
Investments	4	0	0
Trade and Other Receivables	5	3,605,606	2,653,873
Inventories	6	20,420	20,270
<b>Total Current Assets</b>		<b>119,476,182</b>	<b>122,278,877</b>
<b>Non-current Assets</b>			
Other Receivables	5	377,570	424,866
Property, Plant and Equipment	7	102,761,049	96,040,305
Infrastructure	8	454,520,922	432,664,125
<b>Total Non-current Assets</b>		<b>557,659,541</b>	<b>529,129,296</b>
<b>Total Assets</b>		<b>677,135,723</b>	<b>651,408,173</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	7,808,826	9,880,193
Current Portion of Long Term Borrowings	11	1,940,629	1,823,987
Provisions	12	4,131,585	3,824,143
<b>Total Current Liabilities</b>		<b>13,881,040</b>	<b>15,528,323</b>
<b>Non-current Liabilities</b>			
Long Term Borrowings	11	27,083,214	28,173,844
Provisions	12	612,334	666,052
<b>Total Non-current Liabilities</b>		<b>27,695,548</b>	<b>28,839,896</b>
<b>Total Liabilities</b>		<b>41,576,588</b>	<b>44,368,219</b>
<b>Net Assets</b>		<b>635,559,135</b>	<b>607,039,954</b>
<b>Equity</b>			
Retained Surplus		399,021,159	367,765,985
Reserves – Cash Backed	13	46,024,063	49,145,982
Revaluation Surplus	14	190,513,913	190,127,987
<b>Total Equity</b>		<b>635,559,135</b>	<b>607,039,954</b>

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Statement of Changes in Equity

	Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
Note	\$	\$	\$	\$
Balance as at 1 July 2014	323,883,018	28,134,985	44,297,416	396,315,419
Changes in Accounting Policy	0	0	0	0
Correction of Errors	0	0	0	0
<b>Restated Balance</b>	<b>323,883,018</b>	<b>28,134,985</b>	<b>44,297,416</b>	<b>396,315,419</b>
<u>Comprehensive Income</u>				
Net Result	64,893,964	0	0	64,893,964
Changes on Revaluation of Non-Current Assets	14	0	145,830,571	145,830,571
Total Comprehensive Income	64,893,964	0	145,830,571	210,724,535
Transfer from / (to) Reserves	(21,010,997)	21,010,997	0	0
<b>Balance as at 30 June 2015</b>	<b>367,765,985</b>	<b>49,145,982</b>	<b>190,127,987</b>	<b>607,039,954</b>
<u>Comprehensive Income</u>				
Net Result	28,133,255	0	0	28,133,255
Changes on Revaluation of Non-Current Assets	14	0	385,926	385,926
Total Comprehensive Income	28,133,255	0	385,926	28,519,181
Transfer from / (to) Reserves	3,121,919	(3,121,919)	0	0
<b>Balance as at 30 June 2016</b>	<b>399,021,159</b>	<b>46,024,063</b>	<b>190,513,913</b>	<b>635,559,135</b>

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Statement of Cash Flows

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Rates		39,065,485	39,098,079	37,329,430
Operating Grants, Subsidies and Contributions		4,029,813	3,680,496	6,014,802
Fees & Charges		14,974,816	15,170,346	14,727,590
Interest Earnings		2,841,229	2,039,550	2,364,597
Goods and Services Tax		5,793,551	4,000,000	9,626,890
Other Revenue		3,954,850	1,554,090	134,063
		<u>70,659,744</u>	<u>65,542,561</u>	<u>70,197,372</u>
<b>Payments</b>				
Employee Costs		(26,140,265)	(26,593,010)	(25,058,437)
Materials and Contracts		(12,544,346)	(15,822,273)	(13,198,823)
Utility Charges		(2,249,459)	(2,321,370)	(2,085,357)
Insurance Expenses		(663,483)	(737,370)	(695,850)
Interest Expenses		(1,325,698)	(1,340,955)	(1,051,214)
Goods and Services Tax		(10,434,279)	(8,218,076)	(5,032,750)
Other Expenditure		(1,046,777)	(2,198,279)	(2,747,789)
		<u>(54,404,307)</u>	<u>(57,231,333)</u>	<u>(49,870,220)</u>
<b>Net Cash Provided by (used in) Operating Activities</b>	15(b)	<u>16,255,437</u>	<u>8,311,228</u>	<u>20,327,152</u>
<b>Cash Flows from Investing Activities</b>				
Payment for Purchase of Property, Plant & Equipment		(11,625,495)	(34,208,343)	(8,036,596)
Payment for Construction of Infrastructure		(20,290,808)	(69,787,195)	(15,621,094)
Advances to Community Groups		0	0	(30,000)
Non-Operating Grants, Subsidies and Contributions		12,236,044	24,363,332	53,071,923
Proceeds from Sale of Assets		569,723	592,200	955,956
		<u>(19,110,536)</u>	<u>(79,040,006)</u>	<u>30,340,189</u>
<b>Net Cash Provided by (used In) Investing Activities</b>		<u>(19,110,536)</u>	<u>(79,040,006)</u>	<u>30,340,189</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(1,823,987)	(1,823,986)	(1,409,527)
Proceeds from Self Supporting Loans		74,508	74,508	68,340
Proceeds from New Debentures		850,000	850,000	24,530,000
<b>Net Cash Provided By (used In) Financing Activities</b>		<u>(899,479)</u>	<u>(899,478)</u>	<u>23,188,813</u>
<b>Net Increase (Decrease) in Cash Held</b>		(3,754,578)	(71,628,256)	73,856,154
Cash at Beginning of Year		119,604,734	119,604,734	45,748,580
<b>Cash and Cash Equivalents at the End of the Year</b>	15 (a)	<u>115,850,156</u>	<u>47,976,478</u>	<u>119,604,734</u>

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



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Rate Setting Statement

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year – surplus / (deficit)</b>		756,540	756,540	1,393,215
		756,540	756,540	1,393,215
<b><u>Revenue from operating activities (excluding rates)</u></b>				
General Purpose Funding		5,109,780	4,351,786	6,145,551
Governance		431,109	169,880	199,769
Law, Order & Public Safety		831,178	718,090	721,028
Health		404,319	328,720	376,630
Education and Welfare		7,302	6,050	6,227
Housing		458,980	443,080	432,770
Community Amenities		8,790,126	8,320,100	8,335,952
Recreation and Culture		3,252,517	3,342,571	3,278,343
Transport		3,718,678	1,602,651	1,610,327
Economic Services		1,960,269	2,076,408	2,067,241
Other Property and Services		466,036	344,985	465,695
		25,430,294	21,704,321	23,639,533
<b><u>Expenditure from operating activities</u></b>				
General Purpose Funding		(944,226)	(975,565)	(1,179,899)
Governance		(6,311,104)	(5,353,144)	(5,067,341)
Law, Order & Public Safety		(2,660,411)	(2,771,076)	(2,560,349)
Health		(1,186,108)	(1,205,625)	(1,169,157)
Education and Welfare		(151,388)	(142,760)	(147,878)
Housing		(968,378)	(1,262,757)	(1,035,254)
Community Amenities		(10,021,790)	(10,899,306)	(11,389,305)
Recreation and Culture		(16,909,886)	(18,059,525)	(15,544,315)
Transport		(17,722,838)	(16,574,625)	(14,017,002)
Economic Services		(3,389,260)	(3,543,488)	(3,488,419)
Other Property and Services		(1,164,588)	(934,819)	(992,009)
		(61,429,977)	(61,722,690)	(56,590,928)
<b><u>Operating activities excluded from budget</u></b>				
(Profit) on disposal of assets	22	(30,164)	(16,007)	(85,916)
Loss on disposal of assets	22	1,308,366	68,867	211,848
Movement in deferred pensioner rates		(35,251)	0	(15,600)
Movement in employee benefit provisions		253,724	(253,479)	682,668
Depreciation and amortisation on assets	2(a)	14,998,644	14,636,430	12,088,317
Movement in non-cash contributions	15(e)	(12,996,614)	(13,124,650)	(8,834,492)
Movement Other		337,099	0	(1,385,803)
		3,835,804	1,311,161	2,661,022
<b>Amount Attributable to Operating Activities</b>		<b>(31,407,339)</b>	<b>(37,950,668)</b>	<b>(28,897,158)</b>
<b><u>Investing Activities</u></b>				
Non-operating grants, subsidies and contributions		25,422,452	37,417,983	61,822,972
Proceeds from disposal of assets	22	569,723	592,200	955,956
Purchase of property, plant and equipment	7	(11,750,763)	(34,068,804)	(8,080,300)
Purchase and construction of infrastructure	8	(20,290,808)	(69,887,195)	(15,621,094)
<b>Amount attributable to investing activities</b>		<b>(6,049,396)</b>	<b>(65,945,816)</b>	<b>39,077,534</b>

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### Rate Setting Statement (Continued)

	Note	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Financing Activities</b>				
Advances to community groups	23(a)	0	0	(30,000)
Repayment of advances to community groups	23(a)	74,508	74,508	68,340
Repayment of debentures	23(a)	(1,823,987)	(1,823,986)	(1,409,527)
Proceeds from new debentures	23(a)	850,000	850,000	24,500,000
Proceeds from self-supporting loans	23(a)	0	0	30,000
Transfers to reserves (restricted assets)		(21,871,964)	(11,292,332)	(84,394,120)
Transfers from reserves (restricted assets)		22,695,781	77,524,913	15,789,084
<b>Amount attributable to financing activities</b>		<b>(75,662)</b>	<b>65,333,103</b>	<b>(45,446,223)</b>
<b>Surplus(deficiency) before general rates</b>		<b>(37,532,397)</b>	<b>(38,563,381)</b>	<b>(35,265,847)</b>
<b>Total amount raised from general rates</b>	24(a)	<b>38,710,486</b>	<b>38,563,381</b>	<b>36,022,387</b>
Net current assets at 30 June c/fwd. – surplus / (deficit)	24(b)	<b>1,178,089</b>	<b>0</b>	<b>756,540</b>

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF 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 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 City controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 21 to these financial statements.

###### (b) Goods and Services Tax (GST)

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

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

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

###### (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.

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 sale*

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 the 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 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

###### (f) Fixed Assets (Continued)

During the year ended 30 June 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the City revalues its asset classes in accordance with this mandatory timetable.

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 City 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.

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

Individual assets 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.

###### ***Land under roads***

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

###### (f) Fixed Assets (Continued)

###### *Land under roads (Continued)*

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

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

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

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

###### **Depreciation**

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

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (f) Fixed Assets (Continued) *Depreciation(Continued)*

###### Infrastructure:

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

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

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

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

###### ***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 City uses a mix of both independent and management valuations using the following as a guide:

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

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

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

###### **Level 2**

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

###### **Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

###### *Valuation techniques*

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

###### **Market approach**

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

###### **Income approach**

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

###### **Cost approach**

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



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 in accordance with the regulatory framework.

###### (h) Financial Instruments

###### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the City 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 at cost.

Amortised cost is calculated as:

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

The effective interest method is used 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 as "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.

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (h) Financial Instruments (Continued)

###### *(ii) Loans and receivables*

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

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

###### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the City 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 will have 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 30<sup>th</sup> June 2016

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

#### 1. SUMMARY OF 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 City 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 City'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 City prior to the end of the financial year that are unpaid and arise when the City becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (k) Employee Benefits

###### Short-term employee benefits

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

The City's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The City'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 of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

###### 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.

##### (m) Provisions

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

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

###### (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 City 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) Investment in Associates

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

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

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

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

###### (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.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

###### (p) Interests in Joint Arrangements (Continued)

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City'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 City contributes to a number of Superannuation Funds on behalf of employees. All funds to which the City 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 City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current 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 City'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.

###### (u) Comparative Figures

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial 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.

**City of Busselton**

**Financial Report**

**For the Year Ended 30<sup>th</sup> June 2016**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF 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 City.

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 <sup>(1)</sup>	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	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 City, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend upon the nature of future transactions the City has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.  Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the City, the impact is not expected to be significant.



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Title	Issued/ Compiled	Applicable <sup>(1)</sup>	Impact
(iv)	AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations.  [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the City's financial statements.</p>
(v)	AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the City currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi)	AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Title	Issued/ Compiled	Applicable <sup>(1)</sup>	Impact
(vii)	AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(viii)	AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

###### Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

###### (y) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

(i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

(ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>2. Revenue and Expenses</b>		
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Auditors Remuneration</b>		
- Audit of Financial Report	26,973	20,530
- Other Services	1,520	5,760
	28,493	26,290
<b>Depreciation</b>		
Buildings	1,959,778	1,929,653
Furniture and Fittings	486,953	557,881
Plant and Equipment	1,647,838	1,496,886
Infrastructure - Roads	4,617,224	3,379,541
Infrastructure - Bridges	561,416	211,176
Infrastructure - Car Parks	286,923	75,396
Infrastructure - Stormwater Drainage	618,752	549,133
Infrastructure - Regional Airport & Industrial Park	122,342	111,977
Infrastructure - Other Infrastructure	4,697,418	3,776,674
	14,998,644	12,088,317
<b>Interest Expenses (Finance Costs)</b>		
Overdraft Interest	0	0
Debentures (refer Note 23(a))	1,325,698	1,051,214
	1,325,698	1,051,214
<b>Rental Charges</b>		
Operating Leases	516,254	482,118
	516,254	482,118
(ii) Crediting as Revenue:		
<b>Significant Revenue</b>		
Transport	0	45,933,094
	0	45,933,094

This significant revenue in 2015 relates to the receipt of a Grant from the Government of Western Australia for the Development of the Busselton Regional Airport.

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>2. Revenue and Expenses (Continued)</b>			
<b>(a) Net Result (Continued)</b>			
(ii) Crediting as Revenue (Continued):			
<b>Interest Earnings</b>			
Investments			
- Reserve Funds	1,485,933	1,237,500	1,587,271
- Restricted Funds	609,666	0	0
- Other Funds	403,583	500,000	415,593
- Other Interest Revenue (refer note 28)	342,047	302,050	361,733
	<u>2,841,229</u>	<u>2,039,550</u>	<u>2,364,597</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 30<sup>th</sup> June 2016

### 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 30<sup>th</sup> June 2016

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

#### 2. Revenue and Expenses (Continued)

##### (c) Conditions Over Grants / Contributions

Grant / Contribution	Function / Activity	Opening Balance (1) 1-Jul-14 \$	Received (2) 2014/15 \$	Expended (3) 2014/15 \$	Closing Balance (1) 30-Jun-15 \$	Received (2) 2015/16 \$	Expended (3) 2015/16 \$	Closing Balance 30-Jun-16 \$
Cash in lieu of parking	Transport	48,635	0	0	48,635	0	0	48,635
Contribution to works	Classified by activity	2,081,508	208,602	(66,149)	2,223,961	150,270	(203,272)	2,170,959
Government grants	Classified by activity	1,175,247	46,679,517	(918,184)	46,936,580	6,021,945	(1,807,285)	51,151,240
Vasse diversion drain	Community amenities	384,464	0	(660)	383,804	0	0	383,804
C.P.A. infrastructure	Transport	243,236	0	0	243,236	0	(22,465)	220,771
C.P.A. Community Facilities	Classified by activity	988,445	32,727	0	1,021,172	28,048	0	1,049,220
C.P.A. Bushfire Facilities	Law, order and public safety	54,672	0	0	54,672	0	0	54,672
Cash in Lieu – Public Art	Classified by activity	38,000	0	0	38,000	0	(38,000)	0
Community recreation Fac.	Classified by activity	5,504,482	1,015,168	(220,932)	6,298,718	1,666,283	(800,457)	7,164,544
<b>TOTAL</b>		<b>10,518,689</b>	<b>47,936,014</b>	<b>(1,205,925)</b>	<b>57,248,778</b>	<b>7,866,546</b>	<b>(2,871,479)</b>	<b>62,243,845</b>

#### Notes:

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>3. Cash and Cash Equivalents</b>		
Unrestricted	3,251,577	6,323,600
Restricted	112,598,579	113,281,134
	115,850,156	119,604,734
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	940,036	459,285
Asset Depreciation Reserve	2,573,604	2,546,024
Beach Protection Reserve	1,768,390	1,494,337
Building Reserve	1,493,038	1,409,407
Corporate IT System Programme Reserve	132,062	128,259
Jetty Maintenance Reserve	2,306,653	2,094,713
Legal Expenses Reserve	530,593	309,206
Long Service Leave Reserve	2,604,471	2,204,037
City Car Parking and Access Reserve	427,857	198,115
Plant Replacement Reserve	2,810,579	2,425,055
Professional Development (Contractual Obligation) Reserve	77,905	74,240
Road Initiative Reserve	328,823	118,257
Sick Pay Incentive Reserve	144,553	143,876
Strategic Projects Reserve	216,612	185,994
Waste Management Facility and Plant Reserve	7,613,254	8,134,429
Port Geographe Development Reserve	1,654,121	569,370
Port Geographe Waterways Management Reserve	3,454,443	3,265,183
Workers Compensation Contingency Reserve	273,142	265,278
Provence Landscape Maintenance Reserve	835,856	676,765
Infrastructure Development Reserve	2,007,645	2,311,813
Vasse Newtown Landscape Maintenance Reserve	470,760	406,922
Untied Grants Reserve	0	1,109,692
Locke Estate Reserve	64,000	0
Busselton Community Centre Reserve	92,178	63,513
CBD Enhancement Reserve	50,404	14,490
Election, Valuation and Corporate Expenses Reserve	174,169	35,799
Civic and Administration Centre Construction Reserve	12,782,915	18,501,924
Performing Arts Centre Reserve	0	0
Airport Marketing Reserve	196,000	0
Less Accrued Interest on Restricted Assets	(237,268)	(378,530)
Cash set aside in Lieu of Parking	48,635	48,635
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development	2,170,959	2,223,961
Cash set aside, being unspent specific purpose Government Grants for the Busselton Airport Development	45,634,946	45,933,094
Cash set aside, being unspent specific purpose Government Grants	5,516,294	1,003,486
Cash set aside, being Unspent Loan Funds	960,584	4,113,273
Cash set aside for Commonage Precinct Infrastructure and roads	1,324,662	1,319,079
Cash set aside for Sundry Restricted	1,181,608	1,119,632
Cash set aside for Vasse Diversion Drain	383,804	383,804
Cash in Lieu for Public Arts	0	38,000
Cash set aside for Community & Recreation Facilities	7,164,544	6,298,718
Cash set aside for Deposits & Bonds	2,425,748	2,031,999
	112,598,579	113,281,134

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 3. Cash and Cash Equivalents (Continued)

##### 3(a) Airport Development Grant Funding

Council held funds in restricted assets totalling \$45,634,946 provided by Government of Western Australia Department of Regional Development relating to Royalties for Regions, Regional Infrastructure and Headworks Fund Growing our South - Busselton Regional Airport Funding as of the 30th June 2016.

Funds were initially deposited into Council's municipal bank account and in accordance with the funding agreement were subsequently transferred to a treasury corporation account on the 30th of June 2015. This account requires the joint signatures of Council, the Department of Regional Development and the South West Development Commission to withdraw the funds.

	2016 Actual \$	2015 Actual \$
<b>4. Investments</b>		
Investments	0	0
<b>5. Trade and Other Receivables</b>		
<b>Current</b>		
Rates Outstanding	694,702	396,641
Rates Outstanding – Pensioners	92,484	49,264
Sundry Debtors	2,316,600	2,133,460
GST Receivable	422,652	0
Loans – Clubs / Institutions	79,168	74,508
	<u>3,605,606</u>	<u>2,653,873</u>
<b>Non-Current</b>		
Rates Outstanding – Pensioners	205,530	173,658
Sundry Debtors	5,000	5,000
Loans – Clubs / Institutions)	167,040	246,208
	<u>377,570</u>	<u>424,866</u>
<b>6. Inventories</b>		
<b>Current</b>		
Materials	20,420	20,270
	<u>20,420</u>	<u>20,270</u>



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>7 (a). Property, Plant and Equipment</b>		
<b><u>Land &amp; Buildings</u></b>		
Freehold Land – Fair Value	41,994,392	41,211,470
	41,994,392	41,211,470
Buildings – Fair Value	49,921,104	42,146,336
Less Accumulated Depreciation	(3,764,279)	(1,929,653)
	46,156,825	40,216,683
<b>Total Land and Buildings</b>	<b>88,151,217</b>	<b>81,428,153</b>
Furniture and Fittings – Fair Value	2,083,379	3,167,546
Less Accumulated Depreciation	0	(1,230,357)
	2,083,379	1,937,189
Plant and Equipment – Fair Value	12,526,453	15,538,647
Less Accumulated Depreciation	0	(2,863,684)
	12,526,453	12,674,963
<b>Total Property, Plant and Equipment</b>	<b>102,761,049</b>	<b>96,040,305</b>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as 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. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which require property, plant and equipment to be shown at fair value

**City of Busselton**

**Financial Report**

**For the Year Ended 30<sup>th</sup> June 2016**

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

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

**(b) Movements in Carrying Amounts**

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

	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 2015	41,211,470	23,617,014	16,599,669	1,937,189	12,674,963	96,040,305
Additions	782,922	6,772,687	1,927,455	428,492	1,839,207	11,750,763
(Disposals)	0	(975,799)	(59,423)	(44,373)	(598,234)	(1,677,829)
Revaluation - Increments	0	0	0	249,024	136,902	385,926
- (Decrements)	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0
Depreciation - (Expense)	0	(1,183,020)	(776,758)	(486,953)	(1,647,838)	(4,094,569)
Donated Assets	0	0	235,000	0	121,453	356,453
Other Movements	0	0	0	0	0	0
<b>Balance as at 30 June 2015</b>	<b>41,994,392</b>	<b>28,230,882</b>	<b>17,925,943</b>	<b>2,083,379</b>	<b>12,526,453</b>	<b>102,761,049</b>

**City of Busselton**

**Financial Report**

**For the Year Ended 30<sup>th</sup> June 2016**

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

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

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of last Valuation</b>	<b>Inputs Used</b>
<b><u>Land &amp; Buildings</u></b>					
Freehold land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2014	Price per hectare / market borrowing rate
Non-Specialised Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Independent Registered Valuer	June 2014	Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessment's (level 3) inputs
Specialised Buildings	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2014	Price per square meter / market borrowing rate
<b><u>Furniture &amp; Equipment</u></b>					
Furniture & Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction cost and current condition (level 2), residual values and remaining useful life assessment (level 3) inputs
<b><u>Plant &amp; Equipment</u></b>					
Plant & Equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchased cost and current condition (level2), residual values and remaining useful life assessments (level 3) inputs

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>8 (a). Infrastructure</b>		
Roads – Fair Value	263,534,410	253,913,312
Less Accumulated Depreciation	(4,616,610)	0
	258,917,800	253,913,312
Bridges – Fair Value	30,855,487	30,376,832
Less Accumulated Depreciation	(561,416)	0
	30,294,071	30,376,832
Car Parks – Fair Value	8,985,191	8,501,381
Less Accumulated Depreciation	(286,428)	0
	8,698,763	8,501,381
Stormwater Drainage – Fair Value	48,854,695	44,838,496
Less Accumulated Depreciation	(618,752)	0
	48,235,943	44,838,496
Regional Airport and Industrial Park – Fair Value	5,771,508	4,765,153
Less Accumulated Depreciation	(122,342)	0
	5,649,166	4,765,153
Other Infrastructure – Fair Value	107,402,290	90,268,951
Less Accumulated Depreciation	(4,677,111)	0
	102,725,179	90,268,951
	454,520,922	432,664,125

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as 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. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires infrastructure to be shown at fair value.

**City of Busselton**

**Financial Report**

**For the Year Ended 30<sup>th</sup> June 2016**

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

**8. Infrastructure (Continued)**

**(b) Movements in Carrying Amounts**

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

	Roads \$	Bridges \$	Car Parks \$	Drainage \$	Airport \$	Other \$	Total \$
Balance as at 1 July 2014	253,913,312	30,376,832	8,501,381	44,838,496	4,765,153	90,268,951	432,664,125
Additions	5,561,433	478,655	499,808	168,736	1,006,355	12,575,821	20,290,808
(Disposals)	(37,628)	0	(15,503)	0	0	(116,966)	(170,097)
Revaluation - Increments	0	0	0	0	0	0	0
- (Decrements)	0	0	0	0	0	0	0
Impairment - (Losses)	0	0	0	0	0	0	0
- Reversals	0	0	0	0	0	0	0
Depreciation - (Expense)	(4,617,224)	(561,416)	(286,923)	(618,752)	(122,342)	(4,697,418)	(10,904,075)
Donated Assets	4,097,907	0	0	3,847,463	0	4,694,791	12,640,161
Other Movements	0	0	0	0	0	0	0
<b>Balance as at 30 June 2015</b>	<b>258,917,800</b>	<b>30,294,071</b>	<b>8,698,763</b>	<b>48,235,943</b>	<b>5,649,166</b>	<b>102,725,179</b>	<b>454,520,922</b>

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 8. Infrastructure (Continued)

##### (c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Bridges	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Car Parks	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Airport	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs

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

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$		
<b>9. Intangibles</b>				
Easements	0	0		
Accumulated Impairment Costs	0	0		
	0	0		
<b>10. Trade and Other Payables</b>				
<b>Current</b>				
Sundry Creditors	4,716,458	3,181,228		
Deposits and Bonds	2,425,748	2,031,999		
GST Payable	0	4,218,076		
Accrued Expenses	666,620	448,890		
	7,808,826	9,880,193		
<b>11. Long-Term Borrowings</b>				
<b>Current</b>				
Secured by Floating Charge				
Debentures	1,940,629	1,823,987		
	1,940,629	1,823,987		
<b>Non-Current</b>				
Secured by Floating Charge				
Debentures	27,083,214	28,173,844		
	27,083,214	28,173,844		
Additional detail on borrowings is provided in Note 23.				
<b>12. Provisions</b>				
	Provision for Annual Leave	Provision for Long Service Leave	Provision for Sick Leave	Total
	\$	\$	\$	\$
<b>Opening balance at 1 July 2015</b>				
Current	1,958,130	1,722,137	143,876	3,824,143
Non-Current	0	666,052	0	666,052
	1,958,130	2,388,189	143,876	4,490,195
Additional Provisions	1,602,122	520,153	676	2,122,951
Amounts Used	(1,605,356)	(263,871)	0	(1,869,227)
Balance 30 June 2016	1,954,896	2,644,471	144,552	4,743,919
<b>Comprises</b>				
Current Provisions	1,954,896	2,032,137	144,552	4,131,585
Non-current Provisions	0	612,334	0	612,334
	1,954,896	2,644,471	144,552	4,743,919

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>13. Reserves – Cash Backed</b>			
<b>Airport Infrastructure Renewal and Replacement Reserve</b>			
Opening Balance	459,285	459,285	597,302
Amount Set Aside / Transfer to Reserve	523,381	415,228	435,877
Amount Used / Transfer from Reserve	(42,630)	(42,630)	(573,894)
	940,036	831,883	459,285
<b>Asset Depreciation Reserve</b>			
Opening Balance	2,546,024	2,546,024	4,026,327
Amount Set Aside / Transfer to Reserve	72,401	74,772	133,322
Amount Used / Transfer from Reserve	(44,821)	(125,000)	(1,613,625)
	2,573,604	2,495,796	2,546,024
<b>Beach Protection Reserve</b>			
Opening Balance	1,494,337	1,494,337	1,324,758
Amount Set Aside / Transfer to Reserve	495,149	487,884	664,546
Amount Used / Transfer from Reserve	(221,096)	(326,572)	(494,967)
	1,768,390	1,655,649	1,494,337
<b>Building Reserve</b>			
Opening Balance	1,409,407	1,409,407	1,500,203
Amount Set Aside / Transfer to Reserve	548,784	541,388	562,778
Amount Used / Transfer from Reserve	(465,153)	(625,000)	(653,574)
	1,493,038	1,325,795	1,409,407
<b>Corporate IT Systems Programme Reserve</b>			
Opening Balance	128,259	128,259	123,846
Amount Set Aside / Transfer to Reserve	3,803	3,768	4,413
Amount Used / Transfer from Reserve	0	0	0
	132,062	132,027	128,259
<b>Jetty Maintenance Reserve</b>			
Opening Balance	2,094,713	2,094,713	1,464,952
Amount Set Aside / Transfer to Reserve	1,230,428	1,220,893	1,206,346
Amount Used / Transfer from Reserve	(1,018,488)	(1,582,460)	(576,585)
	2,306,653	1,733,146	2,094,713
<b>Legal Expenses Reserve</b>			
Opening Balance	309,206	309,206	249,162
Amount Set Aside / Transfer to Reserve	221,387	9,084	60,044
Amount Used / Transfer from Reserve	0	0	0
	530,593	318,290	309,206



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>13. Reserves – Cash Backed (Continued)</b>			
<b>Long Service Leave Reserve</b>			
Opening Balance	2,204,037	2,204,037	1,987,579
Amount Set Aside / Transfer to Reserve	664,305	189,728	565,453
Amount Used / Transfer from Reserve	(263,871)	(468,210)	(348,995)
	2,604,471	1,925,555	2,204,037
<b>City Car Parking and Access Reserve</b>			
Opening Balance	198,115	198,115	1,641
Amount Set Aside / Transfer to Reserve	391,991	385,183	358,723
Amount Used / Transfer from Reserve	(162,249)	(162,249)	(162,249)
	427,857	421,049	198,115
<b>Plant Replacement Reserve</b>			
Opening Balance	2,425,055	2,425,055	3,597,284
Amount Set Aside / Transfer to Reserve	784,248	773,550	622,316
Amount Used / Transfer from Reserve	(398,724)	(766,000)	(1,794,545)
	2,810,579	2,432,605	2,425,055
<b>Professional Development Reserve</b>			
Opening Balance	74,240	74,240	111,896
Amount Set Aside / Transfer to Reserve	63,017	62,184	44,430
Amount Used / Transfer from Reserve	(59,352)	(75,000)	(82,086)
	77,905	61,424	74,240
<b>Road Asset Renewal Reserve</b>			
Opening Balance	118,257	118,257	2,435
Amount Set Aside / Transfer to Reserve	1,124,210	1,105,253	720,825
Amount Used / Transfer from Reserve	(913,644)	(1,065,515)	(605,003)
	328,823	157,995	118,257
<b>Sick Pay Incentive Reserve</b>			
Opening Balance	143,876	143,876	137,020
Amount Set Aside / Transfer to Reserve	7,010	4,224	6,856
Amount Used / Transfer from Reserve	(6,333)	(5,000)	0
	144,553	143,100	143,876
<b>Strategic Projects Reserve</b>			
Opening Balance	185,994	185,994	245,558
Amount Set Aside / Transfer to Reserve	30,618	30,460	29,078
Amount Used / Transfer from Reserve	0	0	(88,642)
	216,612	216,454	185,994

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>13. Reserves – Cash Backed (Continued)</b>			
<b>Waste Management Facility and Plant Reserve</b>			
Opening Balance	8,134,429	8,134,429	5,824,494
Amount Set Aside / Transfer to Reserve	2,915,272	2,725,998	2,909,107
Amount Used / Transfer from Reserve	(3,436,447)	(6,555,000)	(599,172)
	7,613,254	4,305,427	8,134,429
<b>Port Geographe Development Reserve (Council)</b>			
Opening Balance	569,370	569,370	567,296
Amount Set Aside / Transfer to Reserve	1,090,680	16,728	20,175
Amount Used / Transfer from Reserve	(5,929)	(6,240)	(18,101)
	1,654,121	579,858	569,370
<b>Port Geographe Waterways Management Reserve</b>			
Opening Balance	3,265,183	3,265,183	3,295,493
Amount Set Aside / Transfer to Reserve	489,260	255,033	269,690
Amount Used / Transfer from Reserve	(300,000)	(300,000)	(300,000)
	3,454,443	3,220,216	3,265,183
<b>Workers Compensation Contingency Reserve</b>			
Opening Balance	265,278	265,278	256,150
Amount Set Aside / Transfer to Reserve	7,864	7,788	9,128
Amount Used / Transfer from Reserve	0	0	0
	273,142	273,066	265,278
<b>Provence Landscape Maintenance Reserve</b>			
Opening Balance	676,765	676,765	533,687
Amount Set Aside / Transfer to Reserve	159,091	147,896	143,078
Amount Used / Transfer from Reserve	0	(117,120)	0
	835,856	707,541	676,765
<b>Infrastructure Development Reserve</b>			
Opening Balance	2,311,813	2,311,813	1,778,228
Amount Set Aside / Transfer to Reserve	708,288	200,252	775,704
Amount Used / Transfer from Reserve	(1,012,456)	(1,472,635)	(242,119)
	2,007,645	1,039,430	2,311,813
<b>Vasse Newtown Landscape Maintenance Reserve</b>			
Opening Balance	406,922	406,922	358,408
Amount Set Aside / Transfer to Reserve	166,534	159,492	158,812
Amount Used / Transfer from Reserve	(102,696)	(196,785)	(110,298)
	470,760	369,629	406,922

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>13. Reserves – Cash Backed (Continued)</b>			
<b>Untied Grants Reserve</b>			
Opening Balance	1,109,692	1,109,692	0
Amount Set Aside / Transfer to Reserve	0	0	1,109,692
Amount Used / Transfer from Reserve	(1,109,692)	(1,109,692)	0
	0	0	1,109,692
<b>Locke Estate Reserve</b>			
Opening Balance	0	0	114,516
Amount Set Aside / Transfer to Reserve	64,000	60,000	64,406
Amount Used / Transfer from Reserve	0	0	(178,922)
	64,000	60,000	0
<b>Busselton Community Resource Centre Reserve</b>			
Opening Balance	63,513	63,513	36,750
Amount Set Aside / Transfer to Reserve	28,665	27,280	26,763
Amount Used / Transfer from Reserve	0	0	0
	92,178	90,793	63,513
<b>CBD Enhancement</b>			
Opening Balance	14,490	14,490	0
Amount Set Aside / Transfer to Reserve	35,914	35,220	14,490
Amount Used / Transfer from Reserve	0	0	0
	50,404	49,710	14,490
<b>Election, Valuation and Corporate Expenses Reserve</b>			
Opening Balance	35,799	35,799	0
Amount Set Aside / Transfer to Reserve	209,475	207,056	35,799
Amount Used / Transfer from Reserve	(71,105)	(76,000)	0
	174,169	166,855	35,799
<b>Civic and Administration Centre Construction Reserve</b>			
Opening Balance	18,501,924	18,501,924	0
Amount Set Aside / Transfer to Reserve	466,958	337,500	18,501,924
Amount Used / Transfer from Reserve	(6,185,967)	(9,180,000)	0
	12,782,915	9,659,424	18,501,924
<b>Performing Arts Centre Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	0
	0	0	0

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>13. Reserves – Cash Backed (Continued)</b>			
<b>Airport Marketing Reserve</b>			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	196,000	0	0
Amount Used / Transfer from Reserve	0	0	0
	<u>196,000</u>	<u>0</u>	<u>0</u>
Total Reserves	<b>46,024,063</b>	<b>34,372,716</b>	<b>49,145,982</b>
<b>Summary of Cash / Investment Backed Reserves</b>			
Opening Balance	49,145,982	49,145,982	28,134,985
Amount Set Aside / Transfer to Reserve	12,698,735	9,483,842	29,453,774
Amount Used / Transfer from Reserve	(15,820,654)	(24,257,108)	(8,442,777)
	<u>46,024,063</u>	<u>34,372,716</u>	<u>49,145,982</u>

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.

#### **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.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

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

###### 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.

###### Jetty Maintenance Reserve

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

###### Legal Expenses Reserve

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

###### Long Service Leave Reserve

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

###### City 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.

###### Sick Pay Incentive Reserve

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

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

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

###### 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

To provide for costs associated with the Port Geographe development.

###### 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".

###### 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.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

**13. Reserves – Cash Backed (Continued)**

**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.

**CBD Enhancement Reserve**

Financing works and improvements within the Busselton Central Business District', including both capital and maintenance works which enhance the old fire station and / or the CBD generally.

**Election, Valuation and Corporate Expenses Reserve**

To provide funding for Council elections, rating valuations, fair value valuations and other corporate expenses as determined.

**Civic and Administration Centre Construction Reserve**

To provide funding for the construction and fit-out of a Civic and Administration Centre, plus associated costs.

**Performing Arts Centre Reserve**

To provide for the planning and construction of a future Performing Arts Centre for the district.

**Airport Marketing Reserve**

The purpose for promoting the Busselton Regional Airport.

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

### 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:

	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>
<b>Land and Buildings</b>		
Opening Balance	44,100,475	44,100,475
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>44,100,475</u>	<u>44,100,475</u>
<b>Furniture &amp; Fittings</b>		
Opening Balance	196,941	196,941
Revaluation Increment	249,024	0
Revaluation Decrement	0	0
	<u>445,965</u>	<u>196,941</u>
<b>Plant and Equipment</b>		
Opening Balance	0	0
Revaluation Increment	136,902	0
Revaluation Decrement	0	0
	<u>136,902</u>	<u>0</u>
<b>Roads</b>		
Opening Balance	102,035,756	0
Revaluation Increment	0	102,035,756
Revaluation Decrement	0	0
	<u>102,035,756</u>	<u>102,035,756</u>
<b>Bridges</b>		
Opening Balance	19,677,168	0
Revaluation Increment	0	19,677,168
Revaluation Decrement	0	0
	<u>19,677,168</u>	<u>19,677,168</u>
<b>Car Parks</b>		
Opening Balance	5,863,855	0
Revaluation Increment	0	5,863,855
Revaluation Decrement	0	0
	<u>5,863,855</u>	<u>5,863,855</u>
<b>Drainage</b>		
Opening Balance	9,978,811	0
Revaluation Increment	0	9,978,811
Revaluation Decrement	0	0
	<u>9,978,811</u>	<u>9,978,811</u>
<b>Regional Airport and Industrial Park</b>		
Opening Balance	1,309,884	0
Revaluation Increment	0	1,309,884
Revaluation Decrement	0	0
	<u>1,309,884</u>	<u>1,309,884</u>
<b>Other Infrastructure</b>		
Opening Balance	6,965,097	0
Revaluation Increment	0	6,965,097
Revaluation Decrement	0	0
	<u>6,965,097</u>	<u>6,965,097</u>
Total Assets Revaluation Surplus	<u><b>190,513,913</b></u>	<u><b>190,127,987</b></u>



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 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:

	2016 Actual \$	2016 Budget \$	2015 Actual \$
Cash and Cash Equivalents	115,850,156	47,976,478	119,604,734

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

Net Result	28,133,255	35,962,995	64,893,964
Depreciation	14,998,644	14,636,430	12,088,317
(Profit) / Loss on Sale of Asset	1,278,202	52,860	125,932
(Increase) / Decrease in Receivables	(5,858,363)	360,866	1,594,426
(Increase) / Decrease in Inventories	(150)	0	5,432
Increase / (Decrease) in Payables	2,682,782	(4,960,461)	2,842,828
Increase / (Decrease) in Employee Provisions	253,725	(253,479)	682,668
Less : Non-Cash Contributions	(12,996,614)	(13,124,650)	(8,834,492)
Grants/Contributions for the Development of Assets	(12,236,044)	(24,363,333)	(53,071,923)
Non-Current Assets Fair Value Adjustment			0
<b>Net Cash from Operating Activities</b>	<b>16,255,437</b>	<b>8,311,228</b>	<b>20,327,152</b>

###### (c) Undrawn Borrowing Facilities Credit Standby Arrangements

	2016 Actual \$	2015 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
<b>Total Amount of Credit Unused</b>	<b>50,000</b>	<b>50,000</b>

###### (d) Loan Facilities

Loan Facilities – Current	1,940,629	1,823,987
Loan Facilities – Non-Current	27,083,214	28,173,844
<b>Total Facilities in Use at Balance Date</b>	<b>29,023,843</b>	<b>29,997,831</b>

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

15. Notes to the Statement of Cash Flows (Continued)	2016 Actual \$	2015 Actual \$
<b>(e) Non-Cash Contributions</b>		
Acquired by Council at Valuation – Land and Buildings	235,000	0
Acquired by Council at Valuation – Furniture and Fittings	0	2,500
Acquired by Council at Valuation – Plant and Equipment	121,453	152,960
Developers and Acquired by Council at Valuation - Roads	4,097,907	3,100,074
Developers and Acquired by Council at Valuation - Bridges	0	0
Developers and Acquired by Council at Valuation - Drains	3,847,463	2,943,097
Developers and Acquired by Council at Valuation - Other	4,694,791	2,635,861
	<hr/>	<hr/>
	12,996,614	8,834,492

#### 16. Contingent Liabilities

##### 16.1 Resident funded aged persons homes

When either of the two of the resident funded aged person's homes at the Winderlup Villas become vacant, then Council has a contractual obligation to reimburse the occupant the contribution made at the outset (less annual depreciation) and discretion to increase the amount based on market value of the capital cost for the two 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.

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).

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 16. Contingent Liabilities (Continued)

##### 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

	2016 Actual \$	2015 Actual \$
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	350,094	373,957
- later than one year but not later than five years	299,915	558,383
- later than five years	0	0
	650,009	932,340
<b>(b) Capital Expenditure Commitments</b>		
	2016 Actual \$	2015 Actual \$
Contracted for:		
<u>Capital projects</u>		
- Civic and Administration Building	13,532,305	0
- Railway House Project	878,585	0
- Busselton Margaret River Regional Airport	1,980,000	0
<u>Payable:</u>		
- not later than one year	16,390,890	0
- later than one year but not later than five years	0	0

The capital expenditure projects outstanding at the end of the current reporting period represents the construction of the City's new Civic and Administration Building at Southern Drive and the construction of the Railway House Building at the Busselton Foreshore. These projects are due to be completed in the 2017 financial year.

The City also entered into an agreement and paid a deposit to purchase land associated with the development of the Busselton Margaret River Regional Airport. It is anticipated that settlement should occur in December 2016, pending WAPC approval.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 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	2016 Actual \$	2015 Actual \$
General Purpose Funding	4,329,868	3,886,448
Governance	19,273,782	18,937,744
Law, Order & Public Safety	3,151,150	3,309,985
Health	158,278	167,474
Education and Welfare	484,816	511,908
Housing	14,559,260	15,224,617
Community Amenities	23,050,519	19,040,179
Recreation and Culture	110,330,203	91,081,346
Transport	453,120,861	436,257,676
Economic Services	2,654,735	2,731,424
Other Property and Services	5,324,606	4,587,732
Unallocated	40,697,645	55,671,640
	<u>677,135,723</u>	<u>651,408,173</u>

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 20. Financial Ratios

	2016 Actual	2015 Actual	2014 Actual
Current Ratio	0.741	0.779	0.857
Asset Sustainability Ratio	1.252	1.068	1.610
Debt Service Coverage Ratio	6.044	6.588	12.803
Operating Surplus Ratio	0.046	0.056	0.045
Own Source Revenue Coverage Ratio	0.952	0.964	0.973

The above ratios are calculated as follows:

Current Ratio <i>(ratio required to meet standard &gt; 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>(ratio required to achieve basic standard &gt; 0.9)</i>	$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$
--	--

Debt Service Coverage Ratio <i>(ratio required to achieve basic standard &gt; 2)</i>	$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$
---	--

Operating Surplus Ratio <i>(ratio required to achieve basic standard &gt; 0.01)</i>	$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$
--	--

Own Source Revenue Coverage Ratio <i>(ratio required to achieve basic standard &gt; 0.4)</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 70 of this document.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 21. Trust Funds

	Balance 01-July-15 \$	Amounts Received \$	Amounts Paid \$	Balance 30-June-16 \$
Builders Registration Board Levies	13,105	404,005	(398,524)	18,586
Building Training Levy	3,520	152,900	(151,443)	4,977
Community Appeals	1,000	0	0	1,000
Nomination Deposits	0	0	0	0
Cash in Lieu of P.O.S.	1,820,967	53,660	0	1,874,627
Sundry Other Trusts	24,593	1,267	(1,620)	24,240
	1,863,185	611,832	(551,587)	1,923,430

#### 22. Disposals of Assets – 2015/16 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	1,038,311	0	32,716	0	(1,005,595)	0
Law, Order, Public Safety	40,832	51,550	47,180	42,000	6,348	(9,550)
Health	19,500	19,500	16,111	18,000	(3,389)	(1,500)
Education and Welfare	0	0	0	0	0	0
Housing	0	0	0	0	0	0
Community Amenities	78,316	97,973	65,465	96,000	(12,851)	(1,973)
Recreation and Culture	390,381	187,964	194,541	178,700	(195,840)	(9,264)
Transport	155,950	181,692	101,456	153,500	(54,494)	(28,192)
Economic Services	51,454	32,600	50,563	35,000	( 891)	2,400
Other Property & Services	73,181	73,781	61,691	69,000	(11,490)	(4,781)
	1,847,925	645,060	569,723	592,200	(1,278,202)	(52,860)

##### By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land and Buildings	1,026,644	0	0	0	(1,026,644)	0
Plant and Equipment	598,259	645,060	560,150	592,200	(38,109)	(52,860)
Furniture and Fittings	44,348	0	9,573	0	(34,775)	0
Infrastructure	178,674	0	0	0	(178,674)	0
	1,847,925	645,060	569,723	592,200	(1,278,202)	(52,860)

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 23. Information on Borrowings

(a) Debenture Repayments

Particulars	Borrowing Institution	Int. Rate %	Maturity Date	Principal	New Loans	New Loans	Principal Repayment		Principal		Interest Repayment		
				1 July 2015	2015/16 Budget	2015/16 Actual	2015/16 Budget	2015/16 Actual	2015/16 Budget	2015/16 Actual	2015/16 Budget	2015/16 Actual	
<b>Administration</b>													
C	Loan #207 Civic and Administration Centre	WATC	4.51	06/34	17,355,380	0	0	592,056	592,056	16,763,324	16,763,324	772,808	772,808
<b>Recreation &amp; Culture</b>													
S	Loan #192 Busselton Tennis Club	WATC	5.74	12/19	29,596	0	0	5,937	5,937	23,659	23,659	1,573	1,573
S	Loan #195 Dunsborough District Country Club	WATC	6.79	06/17	76,495	0	0	36,960	36,960	39,535	39,535	4,266	4,266
S	Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	13,112	0	0	2,611	2,610	10,502	10,502	748	748
C	Loan #197 Dunsborough Oval	WATC	6.05	03/20	870,570	0	0	163,233	163,234	707,336	707,336	49,012	49,012
C	Loan #198 Jetty Construction	WATC	6.05	03/20	1,142,622	0	0	214,243	214,243	928,379	928,379	64,329	64,329
S	Loan #199 Busselton Bowling Club	WATC	5.98	12/20	96,280	0	0	15,251	15,251	81,029	81,029	5,420	5,420
S	Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	8,444	0	0	1,686	1,686	6,757	6,758	469	469
C	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	443,515	0	0	48,066	48,066	395,449	395,449	16,940	16,940
C	Loan #204 Busselton Foreshore	WATC	4.36	06/29	1,051,021	0	0	55,777	55,777	995,244	995,244	44,921	44,921
C	Loan #205 GLC Extensions	WATC	3.92	06/24	1,103,937	0	0	104,408	104,408	999,529	999,529	41,752	41,752
S	Loan# 208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	29,302	0	0	2,560	2,560	26,742	26,742	831	831
C	Loan# 209 Busselton Foreshore	WATC	3.56	06/27	6,500,000	0	0	414,226	414,226	6,085,774	6,085,774	256,832	256,832
<b>Transport</b>													
C	Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	888,088	0	0	127,017	127,017	761,071	761,071	35,232	35,232
C	Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	321,982	0	0	30,452	30,453	291,530	291,529	12,178	12,178
<b>Economic Services</b>													
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	67,487	0	0	9,503	9,503	57,984	57,984	3,044	3,044
<b>Other Property and Services</b>													
C	Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	0	850,000	850,000	0	0	850,000	850,000	30,600	15,343
Total - Council and Self-supporting Loans					<b>29,997,831</b>	<b>850,000</b>	<b>850,000</b>	<b>1,823,986</b>	<b>1,823,987</b>	<b>29,023,844</b>	<b>29,023,844</b>	<b>1,340,955</b>	<b>1,325,698</b>
C	Council Loans are financed by general purpose income.				29,677,115	850,000	850,000	1,749,478	1,749,479	28,777,636	28,777,636	1,324,605	1,309,347
S	Self-Supporting Loans are financed by payments from third parties.				320,716	0	0	74,508	74,508	246,208	246,208	16,350	16,351
					<b>29,997,831</b>	<b>850,000</b>	<b>850,000</b>	<b>1,823,986</b>	<b>1,823,987</b>	<b>29,023,844</b>	<b>29,023,844</b>	<b>1,340,955</b>	<b>1,325,698</b>

**City of Busselton**

**Financial Report**

**For the Year Ended 30<sup>th</sup> June 2016**

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

**23. Information on Borrowings (continued)**

**(b) New Debentures – 2015/16**

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #210 Lot 40 Vasse Highway	850,000	850,000	WATC	Debenture	10	306,850	3.61%	850,000	850,000	0
	<b>850,000</b>	<b>850,000</b>				<b>306,850</b>		<b>850,000</b>	<b>850,000</b>	<b>0</b>

**(c) Unspent Debentures**

Particulars / Purpose	Date Borrowed	Balance 01-July-15 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-June-16 \$
Loan #206 Airport Jet A1 Installation	27 <sup>th</sup> May 2014	350,000	0	0	350,000
Loan #207 Civic and Administration Centre	5 <sup>th</sup> Aug 2015	18,000,000	0	6,185,967	11,814,033
Loan# 209 Busselton Foreshore	13 <sup>th</sup> May 2015	3,763,273	0	3,152,689	610,584
		<b>22,113,273</b>	<b>0</b>	<b>9,338,656</b>	<b>12,774,617</b>

**(d) Overdraft**

Council has not utilised an overdraft facility during the financial year 2015/16. The balance of actual bank overdraft as at 1 July 2015 and 30 June 2016 was Nil.



## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

**24. Rating Information – 2015/16 Financial Year**  
**(a) Rates**

Rate Type	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>									
GRV–Residential	0.080266	12,996	241,197,300	19,359,878	0	19,359,878	19,359,878	0	19,359,878
GRV–Industrial	0.096010	351	16,985,375	1,630,764	0	1,630,764	1,630,764	0	1,630,764
GRV–Commercial	0.096010	1,249	57,599,367	5,530,109	0	5,530,109	5,530,109	0	5,530,109
GRV–Residential Vacant Land	0.080266	489	12,550,020	1,007,338	0	1,007,338	1,007,338	0	1,007,338
GRV–Industrial Vacant Land	0.105764	86	2,088,110	220,846	0	220,846	220,846	0	220,846
GRV–Commercial Vacant Land	0.105764	41	2,006,380	212,203	0	212,203	212,203	0	212,203
UV-Primary Production	0.003734	876	650,963,000	2,430,692	0	2,430,692	2,430,692	0	2,430,692
UV-Rural	0.003469	1,628	745,642,000	2,586,625	0	2,586,625	2,586,625	0	2,586,625
UV-Commercial	0.006807	128	92,030,000	626,448	0	626,448	626,448	0	626,448
Interim Rates		0	0	0	660,251	660,251	0	520,390	520,390
Sub-Totals		17,844	1,821,061,552	33,604,903	660,251	34,265,154	33,604,903	520,390	34,125,293
<b>Minimum \$</b>									
<b>Minimum Differential General Rate</b>									
GRV–Residential	1,058	879	10,967,658	929,982	0	929,982	929,982	0	929,982
GRV–Industrial	1,058	20	188,947	21,160	0	21,160	21,160	0	21,160
GRV–Commercial	1,058	525	3,482,024	555,450	0	555,450	555,450	0	555,450
GRV–Residential Vacant Land	1,058	1,476	9,756,618	1,561,608	0	1,561,608	1,561,608	0	1,561,608
GRV–Industrial Vacant Land	1,058	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	1,058	59	324,150	62,422	0	62,422	62,422	0	62,422
UV-Primary Production	1,058	204	42,918,000	215,832	0	215,832	215,832	0	215,832
UV-Rural	1,058	843	171,596,500	891,894	0	891,894	891,894	0	891,894
UV-Commercial	1,058	95	4,101,247	100,510	0	100,510	100,510	0	100,510
Sub-Totals		4,101	243,335,144	4,338,858	0	4,338,858	4,338,858	0	4,338,858
Back Rates / Prior Period Adj. (refer note 27)						106,474			99,230
<b>Total Amount Raised from General Rates</b>						<b>38,710,486</b>			<b>38,563,381</b>
Specified Area Rate (refer note 25)						449,635			434,698
<b>Totals</b>						<b>39,160,121</b>			<b>38,998,079</b>

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

**24. Rating Information – 2015/16 Financial Year (Continued)**

**(b) Information on Surplus / Deficit Brought Forward**

	<u>2016</u>	<u>2016</u>	<u>2015</u>
	30 June	1 July	30 June
	2016	2015	2015
	C/FWD	B/FWD	C/FWD
	\$	\$	\$
Surplus / (Deficit)	<b>1,178,089</b>	<b>756,540</b>	<b>756,540</b>
 <b><u>Comprises:</u></b>			
Cash - Unrestricted	3,251,577	6,323,600	6,323,600
Cash - Restricted	112,598,579	113,281,134	113,281,134
Sundry Debtors	2,501,984	1,814,960	1,814,960
Rates Debtors	787,186	445,904	445,904
Inventories	20,420	20,270	20,270
	119,159,746	121,885,868	121,885,868
 <b><u>Less:</u></b>			
Sundry Creditors	(4,716,458)	(7,399,304)	(7,399,304)
Sundry Creditors – Deposits and Bonds	(2,425,748)	(2,031,999)	(2,031,999)
Accrued Expenses	(666,620)	(448,890)	(448,890)
	(7,808,826)	(9,880,193)	(9,880,193)
	111,350,920	112,005,675	112,005,675
Add Current Liabilities Cash Backed	2,425,748	2,031,999	2,031,999
Less Restricted Cash	(112,598,579)	(113,281,134)	(113,281,134)
Surplus / (Deficit)	<b>1,178,089</b>	<b>756,540</b>	<b>756,540</b>

**Difference:**

There was no difference between the Surplus 1 July 2015 Brought Forward position used in the 2016 audited financial report and the Surplus Carried Forward position as disclosed in the 2015 audited financial report.

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

**25. Specified Area Rate - 2015/16 Financial Year**

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Port Geographe</b>							
• Rate	0.012849	GRV	12,385,210	159,134	159,134	159,134	159,134
• Interim Rate				2,055	0	2,055	0
• Back Rate				0	0	0	0
				161,189	159,134	161,189	159,134

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Provence</b>							
• Rate	0.011954	GRV	10,651,040	127,322	127,322	127,322	127,322
• Rate	0.000128	UV	5,462,000	698	698	698	698
• Interim Rate				8,417	0	8,417	0
• Back Rate				0	0	0	0
				136,437	128,020	136,437	128,020

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
<b>Vasse</b>							
• Rate	0.015266	GRV	9,664,830	147,544	147,544	147,544	147,544
• Interim Rate				4,465	0	4,465	0
• Back Rate				0	0	0	0
				152,009	147,544	152,009	147,544

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

**26. Service Charges – 2015/16 Financial Year**

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

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

**27. Discounts, Incentives, Concessions & Write-offs – 2015/16 Financial Year**

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Back Rates Levied / Prior Period Adjustments	Adjustment	0	106,474	99,230
Write-offs	Write-off	0	0	0
		0	106,474	99,230

**28. Interest Charges and Instalments – 2015/16 Financial Year**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	0.00	144,894	105,400
Interest on Instalments Plan	5.50%	0.00	197,153	196,650
Charges on Instalment Plan	0.00%	4.50	105,194	95,720
			447,241	397,770

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 25<sup>th</sup> September 2015 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 25<sup>th</sup> September 2015 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

- 1<sup>st</sup> Instalment 25<sup>th</sup> September 2015
- 2<sup>nd</sup> Instalment 25<sup>th</sup> November 2015
- 3<sup>rd</sup> Instalment 25<sup>th</sup> January 2016
- 4<sup>th</sup> Instalment 25<sup>th</sup> March 2016

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>29. Fees &amp; Charges</b>		
General Purpose Funding	85,188	108,854
Governance	907	10,665
Law, Order & Public Safety	224,552	221,786
Health	402,811	361,615
Education and Welfare	156	155
Housing	454,736	428,201
Community Amenities	8,477,773	7,975,361
Recreation and Culture	2,201,078	2,187,769
Transport	1,321,920	1,180,658
Economic Services	1,901,026	1,949,296
Other Property and Services	181,086	153,524
	15,251,233	14,577,884

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

	2016 Actual \$	2015 Actual \$
<b>30. Grant Revenue</b>		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income		
<b>(a) By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	4,423,460	5,725,267
Non- Operating Grants, Subsidies and Contributions	25,422,452	61,822,972
	29,845,912	67,548,239
<b>By Program:</b>		
General Purpose Funding	1,725,631	3,250,505
Governance	399,771	142,317
Law, Order & Public Safety	620,482	456,569
Health	18,353	26,610
Education and Welfare	7,146	6,071
Housing	4,244	4,569
Community Amenities	279,507	573,406
Recreation and Culture	12,567,606	6,103,446
Transport	13,914,259	56,600,861
Economic Services	24,316	84,182
Other Property and Services	284,597	299,703
	29,845,912	67,548,239

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

	2016 Actual \$	2015 Actual \$
<b>30. Grant Revenue (Continued)</b>		
<b>(b) Reimbursements, Recoveries and Donations included above</b>		
<b>By Program:</b>		
General Purpose Funding	2,074	17,993
Governance	359,847	132,317
Law, Order & Public Safety	401,734	266,837
Health	1,008	11,723
Education and Welfare	7,146	6,071
Housing	4,244	4,569
Community Amenities	51,802	56,922
Recreation and Culture	141,578	154,958
Transport	13,149	110,237
Economic Services	8,382	76,644
Other Property and Services	232,325	261,535
	1,223,289	1,099,806
	1,223,289	1,099,806
	<b>2016 Actual \$</b>	<b>2016 Budget \$</b>
	<b>2015 Actual \$</b>	

#### 31. Councillors Remuneration

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

Mayor & Deputy Allowance	77,631	79,850	77,250
Councillors Sitting Fees	211,769	218,400	211,665
Travelling Allowance - Councillors Meetings	15,061	17,000	18,264
Communication Allowance	31,481	31,500	31,500
Other Allowance	6,714	9,000	5,578
	342,656	355,750	344,257

#### 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

2016	2015
304	293

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

##### 34. Major Land Transactions

Council did not participate in any major land transactions during the 2015/16 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 2015/16 financial year.

##### 36. Financial Risk Management

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

*The City held the following financial instruments at balance date:*

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	115,850,156	119,604,734	115,850,156	119,604,734
Receivables	3,983,176	3,078,740	3,983,176	3,078,740
Financial assets at fair value through profit or loss	0	0	0	0
	<u>119,833,332</u>	<u>122,683,474</u>	<u>119,833,332</u>	<u>122,683,474</u>
<b>Financial Liabilities</b>				
Payables	5,383,078	7,848,194	5,383,078	7,848,194
Borrowings	29,023,843	29,997,831	32,177,246	24,862,876
	<u>34,406,921</u>	<u>37,846,025</u>	<u>37,560,324</u>	<u>32,711,070</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 30<sup>th</sup> June 2016

### 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

##### Available for sale financial assets

##### Held to maturity investments

The City'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.

The City manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulations 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	30 June 2016	30 June 2015
	\$	\$
Impact of a 10% <sup>(1)</sup> movement in price of investments at balance date:		
• Equity	0	0
• Statement of Comprehensive Income	0	0
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments at balance date:		
• Equity	1,158,501	1,196,047
• Statement of Comprehensive Income	1,158,501	1,196,047

Notes:

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



# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

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

#### 36. Financial Risk Management (Continued)

##### (b) Receivables

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

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

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

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 2016	30 June 2015
	\$	\$
Percentage of Rates and Annual Charges		
• Current	10.00%	2.00%
• Overdue	90.00%	98.00%
Percentage of Other Receivables		
• Current	99.46%	99.74%
• Overdue	0.54%	0.26%

# City of Busselton

## Financial Report

For the Year Ended 30<sup>th</sup> June 2016

### 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. The City manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of the City's 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 \$
<b>2016</b>					
Payables	5,383,078	0	0	5,383,078	5,383,078
Borrowings	3,165,027	11,851,791	24,316,892	39,333,710	29,023,843
	<u>8,548,105</u>	<u>11,851,791</u>	<u>24,316,892</u>	<u>44,716,788</u>	<u>34,406,921</u>
<b>2015</b>					
Payables	7,848,194	0	0	7,848,194	7,848,194
Borrowings	3,134,342	12,284,453	25,907,749	41,326,544	29,997,831
	<u>10,982,536</u>	<u>12,284,453</u>	<u>25,907,749</u>	<u>49,174,738</u>	<u>37,846,025</u>

**City of Busselton**  
**Financial Report**  
**For the Year Ended 30<sup>th</sup> June 2016**  
**Audit 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. The City manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

	<u>&lt; 1 year</u>	<u>&gt;1&lt;2 years</u>	<u>&gt;2&lt;3 years</u>	<u>&gt;3&lt;4 years</u>	<u>&gt;4&lt;5 years</u>	<u>&gt;5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Year Ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	39,535	0	0	40,919	1,716,744	27,226,645	29,023,843	<b>4.33%</b>
Weighted Average Effective Interest Rate	6.79%	0.00%	0.00%	5.89%	6.05%	4.22%		
<b><u>Year Ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed Rate</b>								
Debentures	0	76,495	0	0	2,064,343	27,856,993	29,997,831	<b>4.37%</b>
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	6.05%	4.24%		

# City of Busselton

## Audit Report



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### 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 2016, 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 2016, 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.

Liability limited by a scheme approved under Professional Standards Legislation

Independent Member of  
**BKR**  
INTERNATIONAL

  
CHARTERED ACCOUNTANTS  
MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS

## City of Busselton

### Audit Report

#### 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 2016 and of its performance for the financial year ended 30 June 2016;
- 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 11<sup>th</sup> day of October 2016

## City of Busselton

### Financial Report

For the Year Ended 30<sup>th</sup> June 2016

#### 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.

	<b>2016 Actual</b>	<b>2015 Actual</b>	<b>2014 Actual</b>
Asset Consumption Ratio	0.739	0.727	0.599
Asset Renewal Funding Ratio	1.000	1.000	1.000

The above ratios are calculated as follows:

Asset Consumption Ratio <i>(ratio required to meet basic standard &gt; 0.5)</i>	$\frac{\text{Depreciated replacement cost of assets}}{\text{Current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio <i>(ratio required to achieve basic standard &gt; 0.75)</i>	$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$