



City of Busselton

Geographe Bay

Financial Report

For the year ended

30 June 2017

City of Busselton
Financial Report
For the Year Ended 30th June 2017

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City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2017 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 12th day of October 2017



Mike Archer
Chief Executive Officer

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Statement of Comprehensive Income by Nature or Type

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
Rates	22	41,988,600	41,899,310	39,160,121
Operating Grants, Subsidies and Contributions	29	6,364,207	4,861,121	4,423,460
Fees and Charges	28	15,562,634	15,598,955	15,251,233
Interest Earnings	2(a)	3,330,887	2,542,850	2,841,229
Other Revenue		404,611	356,410	2,434,572
		67,650,939	65,258,646	64,110,615
Expenses				
Employee Costs		(27,458,800)	(27,838,725)	(26,408,789)
Materials and Contracts		(14,621,223)	(15,575,365)	(13,698,936)
Utility Charges		(2,252,433)	(2,358,980)	(2,249,459)
Depreciation on Non-Current Assets	2(a)	(16,767,081)	(15,715,050)	(14,998,644)
Interest Expenses	2(a)	(1,278,501)	(1,318,330)	(1,325,698)
Insurance Expenses		(650,427)	(716,772)	(663,483)
Other Expenditure		(613,788)	(1,153,754)	(776,601)
		(63,642,253)	(64,676,976)	(60,121,610)
		4,008,686	581,670	3,989,005
Non-Operating Grants, Subsidies and Contributions	29	17,605,379	35,349,212	25,422,452
Profit on Asset Disposals	20	47,614	23,227	30,164
Loss on Asset Disposals	20	(460,824)	(94,761)	(1,308,366)
		17,192,169	35,277,678	24,144,250
NET RESULT		21,200,855	35,859,348	28,133,255
Other Comprehensive Income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	12,701,372	0	385,926
Total Other Comprehensive Income		12,701,372	0	385,926
TOTAL COMPREHENSIVE INCOME		33,902,227	35,859,348	28,519,181

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Statement of Comprehensive Income by Program

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
General Purpose Funding	2(a)	49,097,898	47,100,160	43,820,266
Governance		235,396	101,290	430,927
Law, Order & Public Safety		725,861	657,303	822,046
Health		426,456	346,310	404,319
Education and Welfare		6,235	5,861	7,302
Housing		470,928	475,230	458,980
Community Amenities		8,980,203	8,696,288	8,790,126
Recreation and Culture		3,664,189	3,547,067	3,237,226
Transport		1,612,936	1,587,304	3,713,761
Economic Services		1,972,674	2,390,134	1,959,981
Other Property and Services		458,163	351,699	465,681
		<u>67,650,939</u>	<u>65,258,646</u>	<u>64,110,615</u>
Expenses Excluding Finance Costs				
General Purpose Funding	2(a)	(978,115)	(1,017,768)	(944,226)
Governance		(4,816,650)	(5,365,621)	(4,532,519)
Law, Order & Public Safety		(2,722,998)	(2,740,928)	(2,657,626)
Health		(1,209,853)	(1,307,038)	(1,182,719)
Education and Welfare		(153,906)	(140,820)	(151,388)
Housing		(1,002,744)	(1,064,270)	(968,378)
Community Amenities		(10,889,372)	(10,327,133)	(10,008,939)
Recreation and Culture		(17,726,799)	(17,963,952)	(16,211,662)
Transport		(18,330,378)	(18,619,375)	(17,616,017)
Economic Services		(3,431,003)	(3,762,932)	(3,385,038)
Other Property and Services		(1,101,934)	(1,048,809)	(1,137,400)
		<u>(62,363,752)</u>	<u>(63,358,646)</u>	<u>(58,795,912)</u>
Finance Costs				
Governance	2(a)	(747,630)	(745,651)	(772,808)
Recreation and Culture		(456,621)	(486,239)	(487,093)
Transport		(40,892)	(53,171)	(47,410)
Economic Services		(2,590)	(2,584)	(3,044)
Other Property and Services		(30,768)	(30,685)	(15,343)
		<u>(1,278,501)</u>	<u>(1,318,330)</u>	<u>(1,325,698)</u>
Non-Operating Grants, Subsidies & Contributions				
Governance		0	80,000	0
Law, Order & Public Safety		790,260	186,827	135,344
Health		11,862	10,000	16,845
Community Amenities		77,500	77,500	70,000
Recreation and Culture		4,198,666	9,236,327	11,571,642
Transport		12,527,091	25,757,358	13,628,621
Other Property and Services		0	1,200	0
		<u>17,605,379</u>	<u>35,349,212</u>	<u>25,422,452</u>
Profit / (Loss) on Disposal of Assets				
Governance	20	(14,851)	(1,300)	(1,005,595)
Law, Order & Public Safety		(5,479)	3,289	6,349
Health		(840)	100	(3,389)
Housing		(673)	0	0
Community Amenities		(8,557)	(24,335)	(12,851)
Recreation and Culture		(58,134)	(13,900)	(195,840)
Transport		(302,023)	(36,788)	(54,494)
Economic Services		(7,330)	1,300	(890)
Other Property and Services		(15,323)	100	(11,492)
		<u>(413,210)</u>	<u>(71,534)</u>	<u>(1,278,202)</u>
NET RESULT		21,200,855	35,859,348	28,133,255
Other Comprehensive Income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	12,701,372	0	385,926
Total Other Comprehensive Income		12,701,372	0	385,926
TOTAL COMPREHENSIVE INCOME		33,902,227	35,859,348	28,519,181

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Statement of Financial Position

	Note	2017 Actual \$	2016 Actual \$
Current Assets			
Cash and Cash Equivalents	3	86,589,475	115,850,156
Trade and Other Receivables	4	4,163,787	3,605,606
Inventories	5	24,457	20,420
Total Current Assets		90,777,719	119,476,182
Non-current Assets			
Other Receivables	4	581,047	377,570
Property, Plant and Equipment	6	137,089,861	102,761,049
Infrastructure	7	485,023,784	454,520,922
Total Non-current Assets		622,694,692	557,659,541
Total Assets		713,472,411	677,135,723
Current Liabilities			
Trade and Other Payables	8	9,036,971	7,808,826
Current Portion of Long Term Borrowings	9	2,355,987	1,940,629
Provisions	10	4,204,045	4,131,585
Total Current Liabilities		15,597,003	13,881,040
Non-current Liabilities			
Long Term Borrowings	9	27,771,067	27,083,214
Provisions	10	642,979	612,334
Total Non-current Liabilities		28,414,046	27,695,548
Total Liabilities		44,011,049	41,576,588
Net Assets		669,461,362	635,559,135
Equity			
Retained Surplus		422,707,022	399,021,159
Reserves – Cash Backed	11	43,539,055	46,024,063
Revaluation Surplus	12	203,215,285	190,513,913
Total Equity		669,461,362	635,559,135

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Statement of Changes in Equity

	Retained Surplus	Reserves Cash Backed	Revaluation Surplus	Total Equity
Note	\$	\$	\$	\$
Balance as at 1 July 2015	367,765,985	49,145,982	190,127,987	607,039,954
Changes in Accounting Policy	0	0	0	0
Correction of Errors	0	0	0	0
Restated Balance	367,765,985	49,145,982	190,127,987	607,039,954
<u>Comprehensive Income</u>				
Net Result	28,133,255	0	0	28,133,255
Changes on Revaluation of Non-Current Assets	0	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
Balance as at 30 June 2016	399,021,159	46,024,063	190,513,913	635,559,135
<u>Comprehensive Income</u>				
Net Result	21,200,855	0	0	21,200,855
Changes on Revaluation of Non-Current Assets	0	0	12,701,372	12,701,372
Total Comprehensive Income	21,200,855	0	12,701,372	33,902,227
Transfer from / (to) Reserves	2,485,008	(2,485,008)	0	0
Balance as at 30 June 2017	422,707,022	43,539,055	203,215,285	669,461,362

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Statement of Cash Flows

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		41,739,664	41,970,658	39,065,485
Operating Grants, Subsidies and Contributions		6,527,785	4,763,767	4,029,813
Fees & Charges		15,621,793	15,529,535	14,974,816
Interest Earnings		3,330,887	2,542,850	2,841,229
Goods and Services Tax		8,211,638	4,000,000	5,793,551
Other Revenue		1,051,072	348,689	3,954,850
		<u>76,482,839</u>	<u>69,155,499</u>	<u>70,659,744</u>
Payments				
Employee Costs		(27,361,342)	(27,865,590)	(26,140,265)
Materials and Contracts		(15,835,602)	(15,496,002)	(12,544,346)
Utility Charges		(2,252,433)	(2,358,980)	(2,249,459)
Insurance Expenses		(650,427)	(716,772)	(663,483)
Interest Expenses		(1,262,108)	(1,318,330)	(1,325,698)
Goods and Services Tax		(8,878,327)	(4,000,000)	(10,434,279)
Other Expenditure		(1,546,481)	(1,173,582)	(1,046,777)
		<u>(57,786,720)</u>	<u>(52,929,256)</u>	<u>(54,404,307)</u>
Net Cash Provided by (used in) Operating Activities	13(b)	<u>18,696,119</u>	<u>16,226,243</u>	<u>16,255,437</u>
Cash Flows from Investing Activities				
Payment for Purchase of Property, Plant & Equipment		(26,209,460)	(28,709,343)	(11,625,495)
Payment for Construction of Infrastructure		(33,049,989)	(66,504,042)	(20,290,808)
Advances to Community Groups		(214,000)	(150,000)	0
Non-Operating Grants, Subsidies and Contributions		9,867,359	21,450,891	12,236,044
Proceeds from Sale of Assets		466,912	609,000	569,723
		<u>(49,139,178)</u>	<u>(73,303,494)</u>	<u>(19,110,536)</u>
Net Cash Provided by (used In) Investing Activities		<u>(49,139,178)</u>	<u>(73,303,494)</u>	<u>(19,110,536)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(2,110,790)	(2,089,302)	(1,823,987)
Proceeds from Self Supporting Loans		79,168	91,040	74,508
Proceeds from New Debentures		3,214,000	3,650,000	850,000
Net Cash Provided By (used In) Financing Activities		<u>1,182,378</u>	<u>1,651,738</u>	<u>(899,479)</u>
Net Increase (Decrease) in Cash Held		(29,260,681)	(55,425,513)	(3,754,578)
Cash at Beginning of Year		115,850,156	115,850,156	119,604,734
Cash and Cash Equivalents at the End of the Year	13 (a)	<u><u>86,589,475</u></u>	<u><u>60,424,643</u></u>	<u><u>115,850,156</u></u>

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Rate Setting Statement

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year – surplus / (deficit)		1,178,089	1,178,089	756,540
		1,178,089	1,178,089	756,540
Revenue from operating activities (excluding rates)				
General Purpose Funding		7,593,296	5,677,376	5,109,780
Governance		247,398	102,390	431,109
Law, Order & Public Safety		726,358	660,592	831,178
Health		426,456	346,410	404,319
Education and Welfare		6,235	5,861	7,302
Housing		470,928	475,230	458,980
Community Amenities		8,980,203	8,696,953	8,790,126
Recreation and Culture		3,691,030	3,555,967	3,252,517
Transport		1,619,122	1,593,177	3,718,678
Economic Services		1,972,674	2,391,434	1,960,269
Other Property and Services		460,251	353,699	466,036
		26,193,951	23,859,089	25,430,294
Expenditure from operating activities				
General Purpose Funding		(978,115)	(1,017,768)	(944,226)
Governance		(5,591,134)	(6,113,672)	(6,311,104)
Law, Order & Public Safety		(2,728,973)	(2,740,928)	(2,660,411)
Health		(1,210,693)	(1,307,038)	(1,186,108)
Education and Welfare		(153,906)	(140,820)	(151,388)
Housing		(1,003,417)	(1,064,270)	(968,378)
Community Amenities		(10,897,928)	(10,352,133)	(10,021,790)
Recreation and Culture		(18,268,395)	(18,472,991)	(16,909,886)
Transport		(18,679,478)	(18,715,207)	(17,722,838)
Economic Services		(3,440,923)	(3,765,516)	(3,389,260)
Other Property and Services		(1,150,115)	(1,081,394)	(1,164,588)
		(64,103,077)	(64,771,737)	(61,429,977)
Operating activities excluded from budget				
(Profit) on disposal of assets	20	(47,614)	(23,227)	(30,164)
Loss on disposal of assets	20	460,824	94,761	1,308,366
Movement in deferred pensioner rates		(46,639)	0	(35,251)
Movement in employee benefit provisions		103,105	(26,356)	253,724
Depreciation and amortisation on assets	2(a)	16,767,081	15,715,050	14,998,644
Movement in non-cash contributions	13(e)	(7,774,560)	(13,800,000)	(12,996,614)
Movement Other		(214,949)	0	337,099
		9,247,248	1,960,228	3,835,804
Amount Attributable to Operating Activities		(27,483,789)	(37,774,331)	(31,407,339)
Investing Activities				
Non-operating grants, subsidies and contributions	29	17,605,379	35,349,212	25,422,452
Proceeds from disposal of assets	20	466,912	609,000	569,723
Purchase of property, plant and equipment	6	(26,337,635)	(28,774,917)	(11,750,763)
Purchase and construction of infrastructure	7	(35,665,309)	(66,504,042)	(20,290,808)
Amount attributable to investing activities		(43,930,653)	(59,320,747)	(6,049,396)

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Rate Setting Statement (Continued)

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Financing Activities				
Advances to community groups	21(a)	(214,000)	(150,000)	0
Repayment of advances to community groups	21(a)	79,168	91,040	74,508
Repayment of debentures	21(a)	(2,110,790)	(2,089,302)	(1,823,987)
Proceeds from new debentures	21(a)	3,000,000	3,500,000	850,000
Proceeds from self-supporting loans	21(a)	214,000	150,000	0
Transfers to reserves (restricted assets)		(34,281,862)	(36,603,589)	(21,871,964)
Transfers from reserves (restricted assets)		65,062,964	90,774,145	22,695,781
Amount attributable to financing activities		31,749,480	55,672,294	(75,662)
Surplus(deficiency) before general rates		(39,664,962)	(41,422,784)	(37,532,397)
Total amount raised from general rates	22(a)	41,504,602	41,422,784	38,710,486
Net current assets at 30 June c/fwd. – surplus / (deficit)	23	1,839,640	0	1,178,089

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 19 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 30th June 2017

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 30th June 2017

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 revalued 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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 30th June 2017

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 16.

(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 30th June 2017

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 30th June 2017

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 ⁽¹⁾	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 2019	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.

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 ⁽¹⁾	Impact
(iv)	AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none">- Assets received below fair value;- Transfers received to acquire or construct non-financial assets;- Grants received;- Prepaid rates;- Leases entered into at below market rates; and- Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the City's operations.</p>

Notes:

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

(y) Adoption of New and Revised Accounting Standards

During the current year, the 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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities
[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the City as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
2. Revenue and Expenses		
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit of Financial Report	23,000	22,000
- Other Services	730	6,493
	23,730	28,493
Depreciation		
Buildings	2,053,943	1,959,778
Furniture and Fittings	534,900	486,953
Plant and Equipment	2,235,815	1,647,838
Infrastructure - Roads	4,802,937	4,617,224
Infrastructure - Bridges	569,346	561,416
Infrastructure - Car Parks	303,561	286,923
Infrastructure - Stormwater Drainage	669,355	618,752
Infrastructure - Regional Airport & Industrial Park	122,342	122,342
Infrastructure - Other Infrastructure	5,474,882	4,697,418
	16,767,081	14,998,644
Interest Expenses (Finance Costs)		
Overdraft Interest	0	0
Debentures (refer Note 21(a))	1,278,501	1,325,698
	1,278,501	1,325,698
Rental Charges		
Operating Leases	483,690	516,254
	483,690	516,254
(ii) Crediting as Revenue:		
Significant Revenue		
Reimbursements and Recoveries	1,027,888	1,223,289
	1,027,888	1,223,289

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
2. Revenue and Expenses (Continued)			
(a) Net Result (Continued)			
(ii) Crediting as Revenue (Continued):			
Interest Earnings			
Investments			
- Reserve Funds	1,334,027	1,094,850	1,485,933
- Restricted Funds	1,297,471	780,000	609,666
- Other Funds	291,909	360,000	403,583
- Other Interest Revenue (refer note 27)	407,480	308,000	342,047
	<u>3,330,887</u>	<u>2,542,850</u>	<u>2,841,229</u>

(b) Statement of Objective

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

Community Vision

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

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

General Purpose Funding

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

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

Governance

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

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

Law, Order and Public Safety

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

2. Revenue and Expenses (Continued)

(b) Statement of Objective (Continued)

Health

Objective: To provide an operational framework for environmental and community health.

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

Education and Welfare

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

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

Housing

Objective: To provide and maintain elderly residents housing.

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

Community Amenities

Objective: To provide services required by the community

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

Recreation and Culture

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

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

Transport

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

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

Economic Services

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

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

Other Property and Services

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

2. Revenue and Expenses (Continued)

(c) Conditions Over Grants / Contributions

Grant / Contribution	Function / Activity	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
		Balance (1) 1-Jul-15	2015/16	2015/16	Balance (1) 30-Jun-16	2016/17	2016/17	Balance 30-Jun-17
		\$	\$	\$	\$	\$	\$	\$
Cash in lieu of parking	Transport	48,635	0	0	48,635	224,467	0	273,102
Contribution to works	Classified by activity	2,223,961	150,270	(203,272)	2,170,959	89,663	(300,482)	1,960,140
Government grants	Classified by activity	46,936,580	6,021,945	(1,807,285)	51,151,240	1,906,294	(21,977,326)	31,080,208
Vasse diversion drain	Community amenities	383,804	0	0	383,804	225,985	0	609,789
C.P.A. infrastructure	Transport	243,236	0	(22,465)	220,771	0	0	220,771
C.P.A. Community Facilities	Classified by activity	1,021,172	28,048	0	1,049,220	26,393	0	1,075,613
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	(38,000)	0	94,836	0	94,836
Community recreation Fac.	Classified by activity	6,298,718	1,666,283	(800,457)	7,164,544	1,398,923	(1,913,172)	6,650,295
TOTAL		57,248,778	7,866,546	(2,871,479)	62,243,845	3,966,561	(24,190,980)	42,019,426

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
3. Cash and Cash Equivalents		
Unrestricted	4,815,096	3,251,577
Restricted	81,774,379	112,598,579
	86,589,475	115,850,156
The following restrictions have been imposed by regulations or other externally imposed requirements:		
Airport Infrastructure Renewal & Replacement Reserve	1,428,768	940,036
Asset Depreciation Reserve	0	2,573,604
Beach Protection Reserve	1,900,993	1,768,390
Building Reserve	1,335,119	1,493,038
Corporate IT System Programme Reserve	125,981	132,062
Jetty Maintenance Reserve	3,158,775	2,306,653
Legal Expenses Reserve	544,832	530,593
Long Service Leave Reserve	0	2,604,471
City Car Parking and Access Reserve	623,502	427,857
Plant Replacement Reserve	2,325,778	2,810,579
Professional Development (Contractual Obligation) Reserve	0	77,905
Road Initiative Reserve	0	328,823
Sick Pay Incentive Reserve	0	144,553
Strategic Projects Reserve	230,337	216,612
Waste Management Facility and Plant Reserve	7,578,592	7,613,254
Port Geographe Development Reserve	1,534,671	1,654,121
Port Geographe Waterways Management Reserve	3,422,821	3,454,443
Workers Compensation Contingency Reserve	322,008	273,142
Provence Landscape Maintenance Reserve	1,001,808	835,856
Infrastructure Development Reserve	2,033,639	2,007,645
Vasse Newtown Landscape Maintenance Reserve	485,466	470,760
Untied Grants Reserve	1,146,659	0
Locke Estate Reserve	129,971	64,000
Busselton Community Centre Reserve	123,722	92,178
CBD Enhancement Reserve	84,898	50,404
Election, Valuation and Corporate Expenses Reserve	331,553	174,169
Civic and Administration Centre Construction Reserve	444,863	12,782,915
Performing Arts Centre Reserve	0	0
Airport Marketing Reserve	912,986	196,000
Employee Entitlements Reserve	3,005,077	0
Infrastructure Asset Renewal Reserve	1,076,330	0
Community Development Contribution Reserve	6,650,295	0
Busselton Area Drainage and Waterways Improvement Reserve	609,789	0
Joint Venture Aged Housing Reserve	874,987	0
Public Art Reserve	94,836	0
Less Accrued Interest on Restricted Assets	(280,365)	(237,268)
Cash set aside in Lieu of Parking	273,102	48,635
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development	1,960,140	2,170,959
Cash set aside, being unspent specific purpose Government Grants	31,080,208	51,151,240
Cash set aside, being Unspent Loan Funds	1,263,598	960,584
Cash set aside for Commonage Precinct Infrastructure and roads	1,351,054	1,324,662

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

3. Cash and Cash Equivalents (Continued)	2017 Actual \$	2016 Actual \$
Cash set aside for Sundry Restricted	373,407	1,181,608
Cash set aside for Vasse Diversion Drain	0	383,804
Cash in Lieu for Public Arts	0	0
Cash set aside for Community & Recreation Facilities	0	7,164,544
Cash set aside for Deposits & Bonds	2,214,179	2,425,748
	<u>81,774,379</u>	<u>112,598,579</u>
4. Trade and Other Receivables		
Current		
Rates Outstanding	838,886	694,702
Rates Outstanding – Pensioners	111,882	92,484
Sundry Debtors	2,063,136	2,316,600
GST Receivable	1,089,341	422,652
Loans – Clubs / Institutions	60,542	79,168
	<u>4,163,787</u>	<u>3,605,606</u>
Non-Current		
Rates Outstanding – Pensioners	255,550	205,530
Sundry Debtors	5,000	5,000
Loans – Clubs / Institutions)	320,497	167,040
	<u>581,047</u>	<u>377,570</u>
5. Inventories		
Current		
Materials	24,457	20,420
	<u>24,457</u>	<u>20,420</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
6 (a). Property, Plant and Equipment		
<u>Land & Buildings</u>		
Freehold Land – Fair Value	51,033,120	41,994,392
	51,033,120	41,994,392
Buildings – Fair Value	69,920,726	49,921,104
Less Accumulated Depreciation	0	(3,764,279)
	69,920,726	46,156,825
Total Land and Buildings	120,953,846	88,151,217
Furniture and Fittings – Fair Value	3,891,240	2,083,379
Less Accumulated Depreciation	(531,494)	0
	3,359,746	2,083,379
Plant and Equipment – Fair Value	14,919,309	12,526,453
Less Accumulated Depreciation	(2,143,040)	0
	12,776,269	12,526,453
Total Property, Plant and Equipment	137,089,861	102,761,049

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 30th June 2017

Notes to and Forming Part of the Financial Report

6. **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 2016	41,994,392	28,230,882	17,925,943	2,083,379	12,526,453	102,761,049
Additions	2,358,692	15,021,500	4,861,262	1,791,613	2,304,568	26,337,635
(Disposals)	0	(23,700)	(62,555)	(10,346)	(493,156)	(589,757)
Revaluation - Increments - (Decrements)	9,196,463 (2,516,427)	5,641,356 (1,794,124)	3,960,427 (1,786,323)	0 0	0 0	18,798,246 (6,096,874)
Impairment - (Losses) - Reversals	0 0	0 0	0 0	0 0	0 0	0 0
Depreciation - (Expense)	0	(1,226,874)	(827,068)	(534,900)	(2,235,815)	(4,824,657)
Donated Assets	0	0	0	30,000	674,219	704,219
Other Movements	0	0	0	0	0	0
Balance as at 30 June 2017	51,033,120	45,849,040	24,071,686	3,359,746	12,776,269	137,089,861

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

6. Property, Plant and Equipment (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
<u>Land & Buildings</u>					
Freehold land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2017	Price per hectare / market borrowing rate
Non-Specialised Buildings	3	cost approach using depreciated replacement cost	Independent Registered Valuer	June 2017	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 2017	Price per square meter / market borrowing rate
<u>Furniture & Equipment</u>					
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
<u>Plant & Equipment</u>					
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 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
7 (a). Infrastructure		
Roads – Fair Value	274,240,770	263,534,410
Less Accumulated Depreciation	(9,419,548)	(4,616,610)
	264,821,222	258,917,800
Bridges – Fair Value	32,666,530	30,855,487
Less Accumulated Depreciation	(1,123,045)	(561,416)
	31,543,485	30,294,071
Car Parks – Fair Value	9,898,968	8,985,191
Less Accumulated Depreciation	(589,988)	(286,428)
	9,308,980	8,698,763
Stormwater Drainage – Fair Value	51,392,423	48,854,695
Less Accumulated Depreciation	(1,288,107)	(618,752)
	50,104,316	48,235,943
Regional Airport and Industrial Park – Fair Value	22,390,734	5,771,508
Less Accumulated Depreciation	(244,683)	(122,342)
	22,146,051	5,649,166
Other Infrastructure – Fair Value	117,251,724	107,402,290
Less Accumulated Depreciation	(10,151,994)	(4,677,111)
	107,099,730	102,725,179
	485,023,784	454,520,922

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 30th June 2017

Notes to and Forming Part of the Financial Report

7. 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 2016	258,917,800	30,294,071	8,698,763	48,235,943	5,649,166	102,725,179	454,520,922
Additions	7,046,816	1,623,884	913,778	604,296	16,619,227	8,857,308	35,665,309
(Disposals)	0	(290,364)	0	0	0	0	(290,364)
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)	(4,802,937)	(569,346)	(303,561)	(669,355)	(122,342)	(5,474,883)	(11,942,424)
Donated Assets	3,659,543	485,240	0	1,933,432	0	992,126	7,070,341
Other Movements	0	0	0	0	0	0	0
Balance as at 30 June 2017	264,821,222	31,543,485	9,308,980	50,104,316	22,146,051	107,099,730	485,023,784

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

7. 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 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$		
8. Trade and Other Payables				
Current				
Sundry Creditors	3,138,757	4,716,458		
Deposits and Bonds	2,214,179	2,425,748		
GST Payable	0	0		
Accrued Expenses	3,684,035	666,620		
	9,036,971	7,808,826		
9. Long-Term Borrowings				
Current				
Secured by Floating Charge				
Debentures	2,355,987	1,940,629		
	2,355,987	1,940,629		
Non-Current				
Secured by Floating Charge				
Debentures	27,771,067	27,083,214		
	27,771,067	27,083,214		
Additional detail on borrowings is provided in Note 21.				
10. Provisions				
	Provision for Annual Leave	Provision for Long Service Leave	Provision for Sick Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2016				
Current	1,954,896	2,032,137	144,552	4,131,585
Non-Current	0	612,334	0	612,334
	1,954,896	2,644,471	144,552	4,743,919
Additional Provisions	1,696,771	588,489	1,827	2,287,087
Amounts Used	(1,714,390)	(469,592)	0	(2,183,982)
Balance 30 June 2017	1,937,277	2,763,368	146,379	4,847,024
Comprises				
Current Provisions	1,937,277	2,120,389	146,379	4,204,045
Non-current Provisions	0	642,979	0	642,979
	1,937,277	2,763,368	146,379	4,847,024

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed			
Airport Infrastructure Renewal and Replacement Reserve			
Opening Balance	940,036	940,036	459,285
Amount Set Aside / Transfer to Reserve	531,362	452,864	523,381
Amount Used / Transfer from Reserve	(42,630)	(42,630)	(42,630)
	1,428,768	1,350,270	940,036
Asset Depreciation Reserve			
Opening Balance	2,573,604	2,573,604	2,546,024
Amount Set Aside / Transfer to Reserve	0	0	72,401
Amount Used / Transfer from Reserve	(2,573,604)	(2,573,604)	(44,821)
	0	0	2,573,604
Climate Adaptation Reserve			
Opening Balance	1,768,390	1,768,390	1,494,337
Amount Set Aside / Transfer to Reserve	508,641	502,944	495,149
Amount Used / Transfer from Reserve	(376,038)	(447,500)	(221,096)
	1,900,993	1,823,834	1,768,390
Building Asset Renewal Reserve			
Opening Balance	1,493,038	1,493,038	1,409,407
Amount Set Aside / Transfer to Reserve	210,103	165,736	548,784
Amount Used / Transfer from Reserve	(368,022)	(408,022)	(465,153)
	1,335,119	1,250,752	1,493,038
Corporate IT Systems Programme Reserve			
Opening Balance	132,062	132,062	128,259
Amount Set Aside / Transfer to Reserve	3,543	3,912	3,803
Amount Used / Transfer from Reserve	(9,624)	0	0
	125,981	135,974	132,062
Jetty Maintenance Reserve			
Opening Balance	2,306,653	2,306,653	2,094,713
Amount Set Aside / Transfer to Reserve	1,244,203	1,240,738	1,230,428
Amount Used / Transfer from Reserve	(392,081)	(622,870)	(1,018,488)
	3,158,775	2,924,521	2,306,653
Legal Expenses Reserve			
Opening Balance	530,593	530,593	309,206
Amount Set Aside / Transfer to Reserve	14,239	15,672	221,387
Amount Used / Transfer from Reserve	0	0	0
	544,832	546,265	530,593

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed (Continued)			
Long Service Leave Reserve			
Opening Balance	2,604,471	2,604,471	2,204,037
Amount Set Aside / Transfer to Reserve	0	0	664,305
Amount Used / Transfer from Reserve	(2,604,471)	(2,604,471)	(263,871)
	0	0	2,604,471
City Car Parking and Access Reserve			
Opening Balance	427,857	427,857	198,115
Amount Set Aside / Transfer to Reserve	426,362	420,668	391,991
Amount Used / Transfer from Reserve	(230,717)	(804,170)	(162,249)
	623,502	44,355	427,857
Plant Replacement Reserve			
Opening Balance	2,810,579	2,810,579	2,425,055
Amount Set Aside / Transfer to Reserve	634,998	632,764	784,248
Amount Used / Transfer from Reserve	(1,119,799)	(1,134,000)	(398,724)
	2,325,778	2,309,343	2,810,579
Professional Development Reserve			
Opening Balance	77,905	77,905	74,240
Amount Set Aside / Transfer to Reserve	0	0	63,017
Amount Used / Transfer from Reserve	(77,905)	(77,905)	(59,352)
	0	0	77,905
Road Asset Renewal Reserve			
Opening Balance	328,823	328,823	118,257
Amount Set Aside / Transfer to Reserve	0	0	1,124,210
Amount Used / Transfer from Reserve	(328,823)	(328,823)	(913,644)
	0	0	328,823
Sick Pay Incentive Reserve			
Opening Balance	144,553	144,553	143,876
Amount Set Aside / Transfer to Reserve	0	0	7,010
Amount Used / Transfer from Reserve	(144,553)	(144,553)	(6,333)
	0	0	144,553
Strategic Projects Reserve			
Opening Balance	216,612	216,612	185,994
Amount Set Aside / Transfer to Reserve	31,272	31,408	30,618
Amount Used / Transfer from Reserve	(17,547)	(60,000)	0
	230,337	188,020	216,612

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed (Continued)			
Waste Management Facility and Plant Reserve			
Opening Balance	7,613,254	7,613,254	8,134,429
Amount Set Aside / Transfer to Reserve	2,703,199	3,225,494	2,915,272
Amount Used / Transfer from Reserve	(2,737,861)	(4,439,723)	(3,436,447)
	7,578,592	6,399,025	7,613,254
Port Geographe Development Reserve (Council)			
Opening Balance	1,654,121	1,654,121	569,370
Amount Set Aside / Transfer to Reserve	44,375	48,756	1,090,680
Amount Used / Transfer from Reserve	(163,825)	(245,510)	(5,929)
	1,534,671	1,457,367	1,654,121
Port Geographe Waterways Management Reserve			
Opening Balance	3,454,443	3,454,443	3,265,183
Amount Set Aside / Transfer to Reserve	268,378	273,087	489,260
Amount Used / Transfer from Reserve	(300,000)	(305,000)	(300,000)
	3,422,821	3,422,530	3,454,443
Workers Compensation Contingency Reserve			
Opening Balance	273,142	273,142	265,278
Amount Set Aside / Transfer to Reserve	48,866	48,888	7,864
Amount Used / Transfer from Reserve	0	(20,000)	0
	322,008	302,030	273,142
Provence Landscape Maintenance Reserve			
Opening Balance	835,856	835,856	676,765
Amount Set Aside / Transfer to Reserve	174,505	169,682	159,091
Amount Used / Transfer from Reserve	(8,553)	(117,120)	0
	1,001,808	888,418	835,856
New Infrastructure Development Reserve			
Opening Balance	2,007,645	2,007,645	2,311,813
Amount Set Aside / Transfer to Reserve	606,875	612,007	708,288
Amount Used / Transfer from Reserve	(580,881)	(804,945)	(1,012,456)
	2,033,639	1,814,707	2,007,645
Vasse Newtown Landscape Maintenance Reserve			
Opening Balance	470,760	470,760	406,922
Amount Set Aside / Transfer to Reserve	177,055	174,217	166,534
Amount Used / Transfer from Reserve	(162,349)	(273,785)	(102,696)
	485,466	371,192	470,760

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed (Continued)			
Untied Grants Reserve			
Opening Balance	0	0	1,109,692
Amount Set Aside / Transfer to Reserve	1,146,659	0	0
Amount Used / Transfer from Reserve	0	0	(1,109,692)
	1,146,659	0	0
Locke Estate Reserve			
Opening Balance	64,000	64,000	0
Amount Set Aside / Transfer to Reserve	65,971	61,776	64,000
Amount Used / Transfer from Reserve	0	0	0
	129,971	125,776	64,000
Busselton Community Resource Centre Reserve			
Opening Balance	92,178	92,178	63,513
Amount Set Aside / Transfer to Reserve	31,544	29,720	28,665
Amount Used / Transfer from Reserve	0	0	0
	123,722	121,898	92,178
CBD Enhancement			
Opening Balance	50,404	50,404	14,490
Amount Set Aside / Transfer to Reserve	34,494	36,288	35,914
Amount Used / Transfer from Reserve	0	0	0
	84,898	86,692	50,404
Election, Valuation and Corporate Expenses Reserve			
Opening Balance	174,169	174,169	35,799
Amount Set Aside / Transfer to Reserve	182,317	179,568	209,475
Amount Used / Transfer from Reserve	(24,933)	(72,000)	(71,105)
	331,553	281,737	174,169
Civic and Administration Centre Construction Reserve			
Opening Balance	12,782,915	12,782,915	18,501,924
Amount Set Aside / Transfer to Reserve	161,948	194,850	466,958
Amount Used / Transfer from Reserve	(12,500,000)	(12,977,765)	(6,185,967)
	444,863	0	12,782,915
Performing Arts Centre Reserve			
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 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed (Continued)			
Airport Marketing Reserve			
Opening Balance	196,000	196,000	0
Amount Set Aside / Transfer to Reserve	716,986	4,476	196,000
Amount Used / Transfer from Reserve	0	0	0
	912,986	200,476	196,000
Employee Entitlements Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	3,555,252	3,070,369	0
Amount Used / Transfer from Reserve	(550,175)	(616,104)	0
	3,005,077	2,454,265	0
Infrastructure Asset Renewal Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	4,500,726	4,527,101	0
Amount Used / Transfer from Reserve	(3,424,396)	(3,793,467)	0
	1,076,330	733,634	0
Community Development Contribution Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	8,563,467	7,964,544	0
Amount Used / Transfer from Reserve	(1,913,172)	(2,053,075)	0
	6,650,295	5,911,469	0
Busselton Area Drainage and Waterways Improvement Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	609,789	383,804	0
Amount Used / Transfer from Reserve	0	(85,000)	0
	609,789	298,804	0
Joint Venture Aged Housing Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	874,987	831,057	0
Amount Used / Transfer from Reserve	0	0	0
	874,987	831,057	0
Public Art Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	94,835	0	0
Amount Used / Transfer from Reserve	0	0	0
	94,835	0	0
Total Reserves	43,539,055	36,274,411	46,024,063

City of Busselton

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For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2017 Budget \$	2016 Actual \$
11. Reserves – Cash Backed (Continued)			
Summary of Cash / Investment Backed Reserves			
Opening Balance	46,024,063	46,024,063	49,145,982
Amount Set Aside / Transfer to Reserve	28,166,950	25,302,390	12,698,735
Amount Used / Transfer from Reserve	(30,651,958)	(35,052,042)	(15,820,654)
	43,539,055	36,274,411	46,024,063

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.

Climate Adaptation 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.

Building Asset Renewal Reserve

To provide funding for future building requirements for assets that do not have their own reserve account or loan funding.

Corporate IT Systems Programme

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

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.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

11. Reserves – Cash Backed (Continued)

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.

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 expenditure and post closure management.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

11. Reserves – Cash Backed (Continued)

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.

New Infrastructure Development Reserve

For the purpose of setting aside funds to facilitate the identification, design and development of new infrastructure and other capital projects.

Vasse Newtown Landscape Maintenance Reserve

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

Untied Grants Reserve

To hold untied grants monies received in advance.

Locke Estate Reserve

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

Busselton Community Resource Centre Reserve

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

11. Reserves – Cash Backed (Continued)

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.

Employee Entitlements Reserve

To provide funding to meet Council's future long service leave obligations. To provide funding to meet Council's obligations under the City of Busselton's Enterprise Bargaining Agreement (Sick Pay Incentive). To provide funding to meet the City's ongoing contractual professional development obligations.

Infrastructure Asset Renewal 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.

To meet the need of the Long Term Financial Plan Road Asset Management plan requirements.

Community Development Contribution Reserve

To hold development contributions received by the City for the provision of new or upgraded community infrastructure.

Busselton Area Drainage and Waterways Improvement Reserve

To hold development contributions received by the City for the provision of drainage works and the management and improvement of waterways within the Busselton area including the lower Vasse River.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

11. Reserves – Cash Backed (Continued)

Joint Venture Aged Housing Reserve

To hold funds to meet future expenses, including capital, maintenance, operational and administrative costs associated with the provision of community aged housing at Winderlup Villas and Harris Road pursuant to the relevant joint venture agreements with the Department of Housing.

Public Art Reserve

To hold restricted development contributions received by the City for the commissioning, purchase and enhancement of public art works.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

12. Revaluation Surplus

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

	2017	2016
	Actual	Actual
	\$	\$
Land and Buildings		
Opening Balance	44,100,475	44,100,475
Revaluation Increment	18,798,246	0
Revaluation Decrement	(6,096,874)	0
	<u>56,801,847</u>	<u>44,100,475</u>
Furniture & Fittings		
Opening Balance	445,965	196,941
Revaluation Increment	0	249,024
Revaluation Decrement	0	0
	<u>445,965</u>	<u>445,965</u>
Plant and Equipment		
Opening Balance	136,902	0
Revaluation Increment	0	136,902
Revaluation Decrement	0	0
	<u>136,902</u>	<u>136,902</u>
Roads		
Opening Balance	102,035,756	102,035,756
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>102,035,756</u>	<u>102,035,756</u>
Bridges		
Opening Balance	19,677,168	19,677,168
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>19,677,168</u>	<u>19,677,168</u>
Car Parks		
Opening Balance	5,863,855	5,863,855
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>5,863,855</u>	<u>5,863,855</u>
Drainage		
Opening Balance	9,978,811	9,978,811
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>9,978,811</u>	<u>9,978,811</u>
Regional Airport and Industrial Park		
Opening Balance	1,309,884	1,309,884
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>1,309,884</u>	<u>1,309,884</u>
Other Infrastructure		
Opening Balance	6,965,097	6,965,097
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>6,965,097</u>	<u>6,965,097</u>
Total Assets Revaluation Surplus	<u>203,215,285</u>	<u>190,513,913</u>

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

13. 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:

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash and Cash Equivalents	86,589,475	60,424,643	115,850,156

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

Net Result	21,200,855	35,859,348	28,133,255
Depreciation	16,767,081	15,715,050	14,998,644
(Profit) / Loss on Sale of Asset	413,210	71,534	1,278,202
(Increase) / Decrease in Receivables	(555,932)	139,170	(5,858,363)
(Increase) / Decrease in Inventories	(4,037)	420	(150)
Increase / (Decrease) in Payables	(1,586,247)	(282,032)	2,682,782
Increase / (Decrease) in Employee Provisions	103,105	(26,356)	253,725
Less : Non-Cash Contributions	(7,774,560)	(13,800,000)	(12,996,614)
Grants/Contributions for the Development of Assets	(9,867,356)	(21,450,891)	(12,236,044)
Non-Current Assets Fair Value Adjustment			0
Net Cash from Operating Activities	18,696,119	16,226,243	16,255,437

(c) Undrawn Borrowing Facilities Credit Standby Arrangements

	2017 Actual \$	2016 Actual \$
Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	50,000	50,000
Credit Card Balance at Balance Date	0	0
Total Amount of Credit Unused	50,000	50,000

(d) Loan Facilities

Loan Facilities – Current	2,355,987	1,940,629
Loan Facilities – Non-Current	27,771,067	27,083,214
Total Facilities in Use at Balance Date	30,127,054	29,023,843

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

13. Notes to the Statement of Cash Flows (Continued)	2017 Actual	2016 Actual
	\$	\$
(e) Non-Cash Contributions		
Acquired by Council at Valuation – Land and Buildings	0	235,000
Acquired by Council at Valuation – Furniture and Fittings	30,000	0
Acquired by Council at Valuation – Plant and Equipment	674,219	121,453
Developers and Acquired by Council at Valuation - Roads	3,659,543	4,097,907
Developers and Acquired by Council at Valuation - Bridges	485,240	0
Developers and Acquired by Council at Valuation - Drains	1,933,432	3,847,463
Developers and Acquired by Council at Valuation - Other	992,126	4,694,791
	<hr/> <hr/>	<hr/> <hr/>
	7,774,560	12,996,614

14. Contingent Liabilities

14.1 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.

14.2 Buy Back Conditions contained in City Lease Agreements

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).

14.3 Busselton Waste Transfer Station Contamination Investigation

The City of Busselton operates the Rendezvous Road Waste Transfer Station from lots 500 and 27 Rendezvous Road, Busselton (Busselton Tip Site). During 2007 the Contaminated Sites Branch of the Department of Environment Regulation (DER) notified the City that Lot 500 had been entered on the Contaminated Sites Register and classified as "Possibly Contaminated-Investigation required" mainly because of the historical activities carried out on the Busselton Tip Site. The Busselton Tip Site had been reported by residents who had advised that they abstracted the groundwater for drinking purposes who indicated that chloride and ammonia, above Australian Drinking Water Standards, had been detected in the groundwater in the vicinity of the Busselton Tip Site.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

14. Contingent Liabilities (continued)

14.3 Busselton Waste Transfer Station Contamination Investigation (Continued)

Potential contamination of groundwater in the vicinity of the Busselton Tip Site has since been investigated and subsequent test results indicated chemical concentrations above health and aesthetic screening criteria on certain properties in this area. In accordance with DER requirements and directives further investigations into the source, nature and extent of the contamination is ongoing. Depending on the outcome of the investigation the City may incur a certain level of liability in respect of remedial action and/or claims for compensation. Due to complex scientific, operational and legal issues impacting on this matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage.

15. Capital and Leasing Commitments

	2017 Actual \$	2016 Actual \$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	414,159	350,094
- later than one year but not later than five years	337,343	299,915
- later than five years	0	0
	751,502	650,009
(b) Capital Expenditure Commitments		
Contracted for:		
<u>Capital projects</u>		
- Civic and Administration Building	549,999	13,532,305
- Railway House Project	0	878,585
- Youth Building	1,106,822	0
- Barnard Park	249,223	0
- Busselton Foreshore Coastal Defences	1,046,419	0
- Busselton Margaret River Regional Airport Land	0	1,980,000
- Busselton Margaret River Regional Airport Airside Infrastructure	15,904,709	0
- Busselton Margaret River Regional Airport Landside Design	608,941	0
<u>Payable:</u>		
- not later than one year	19,466,113	16,390,890
- later than one year but not later than five years	0	0

City of Busselton

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For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

15. Capital and Leasing Commitments (Continued)

(b) Capital Expenditure Commitments

The capital expenditure projects outstanding at the end of the current reporting period represent the construction of;

- The Civic and Administration Building at Southern Drive;
- The new Youth Building;
- Barnard Park Pavilion;
- Coastal Defences within Stage 3 of the Busselton Foreshore Master Plan;
- Busselton Margaret River Regional Airport Airside Infrastructure;
- Busselton Margaret River Regional Airport Landside Design;

These projects are due to be completed in the 2017-18 financial year.

16. Joint Ventures

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

17. Total Assets Classified by Function and Activity

	2017 Actual \$	2016 Actual \$
General Purpose Funding	3,909,728	4,329,868
Governance	22,804,182	19,273,782
Law, Order & Public Safety	3,871,978	3,151,150
Health	105,086	158,278
Education and Welfare	668,805	484,816
Housing	17,948,364	14,559,260
Community Amenities	26,075,201	23,050,519
Recreation and Culture	127,841,327	110,330,203
Transport	439,635,108	453,120,861
Economic Services	2,634,339	2,654,735
Other Property and Services	16,567,092	5,324,606
Unallocated	51,411,201	40,697,645
	<u>713,472,411</u>	<u>677,135,723</u>

City of Busselton

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For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

18. Financial Ratios

	2017 Actual	2016 Actual	2015 Actual
Current Ratio	0.810	0.741	0.779
Asset Sustainability Ratio	1.858	1.252	1.068
Debt Service Coverage Ratio	6.385	6.044	6.588
Operating Surplus Ratio	0.058	0.046	0.056
Own Source Revenue Coverage Ratio	0.967	0.952	0.964

The above ratios are calculated as follows:

Current Ratio
(ratio required to meet standard > or = to 1)

$$\frac{\text{Current assets minus restricted assets}}{\text{Current liabilities minus liabilities associated with restricted assets}}$$

Asset Sustainability Ratio
(ratio required to achieve basic standard > 0.9)

$$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$$

Debt Service Coverage Ratio
(ratio required to achieve basic standard > or = to 2, and advanced standard > or = to 5)

$$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$$

Operating Surplus Ratio
(ratio required to achieve basic standard is between 0.01 & 0.15, advanced standard > 0.15)

$$\frac{\text{Operating revenue minus operating expense}}{\text{Own source operating revenue}}$$

Own Source Revenue Coverage Ratio
(ratio required to achieve basic standard is between 0.4 & 0.6, Intermediate standard between 0.6 & 0.9, and advanced standard > 0.9)

$$\frac{\text{Own source operating revenue}}{\text{Operating expense}}$$

Notes: Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at the supplementary ratio information on page 73 of this document.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

19. Trust Funds

	Balance 01-July-16 \$	Amounts Received \$	Amounts Paid \$	Balance 30-June-17 \$
Builders Registration Board Levies	18,586	388,960	(387,237)	20,309
Building Training Levy	4,977	120,278	(124,470)	785
Community Appeals	1,000	0	(0)	1,000
Nomination Deposits	0	0	(0)	0
Cash in Lieu of P.O.S.	1,874,627	106,825	(65,254)	1,916,198
Sundry Other Trusts	24,240	0	(0)	24,240
	1,923,430	616,063	(576,961)	1,962,532

20. Disposals of Assets – 2016/17 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	149,027	92,300	134,176	91,000	(14,851)	(1,300)
Law, Order, Public Safety	37,702	46,711	32,223	50,000	(5,479)	3,289
Health	840	0	0	100	(840)	100
Education and Welfare	0	0	0	0	0	0
Housing	673	0	0	0	(673)	0
Community Amenities	43,533	101,335	34,976	77,000	(8,557)	(24,335)
Recreation and Culture	161,640	96,800	103,506	82,900	(58,134)	(13,900)
Transport	424,528	285,288	122,505	248,500	(302,023)	(36,788)
Economic Services	25,725	23,700	18,395	25,000	(7,330)	1,300
Other Property & Services	36,453	34,400	21,130	34,500	(15,323)	100
	880,121	680,534	466,911	609,000	(413,210)	(71,534)

By Asset Class:-

	Net Book Value		Sale Price		Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Land and Buildings	86,256	0	0	0	(86,256)	0
Plant and Equipment	493,155	680,534	464,797	609,000	(28,358)	(71,534)
Furniture and Fittings	10,346	0	2,114	0	(8,232)	0
Infrastructure	290,364	0	0	0	(290,364)	0
	880,121	680,534	466,911	609,000	(413,210)	(71,534)

City of Busselton

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For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

21. 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 2016	2016/17 Budget	2016/17 Actual	2016/17 Budget	2016/17 Actual	2016/17 Budget	2016/17 Actual	2016/17 Budget	2016/17 Actual
Administration												
C Loan #207 Civic and Administration Centre	WATC	4.51	06/34	16,763,324	0	0	619,213	619,213	16,144,111	16,144,111	745,651	747,630
Recreation & Culture												
S Loan #192 Busselton Tennis Club	WATC	5.74	12/19	23,659	0	0	6,286	6,286	17,373	17,373	1,224	1,227
S Loan #195 Dunsborough District Country Club	WATC	6.79	06/17	39,535	0	0	39,535	39,535	0	0	1,692	1,692
S Loan #196 Dunsborough Bay Yacht Club	WATC	6.16	12/19	10,502	0	0	2,775	2,775	7,727	7,727	584	585
C Loan #197 Dunsborough Oval	WATC	6.05	03/20	707,336	0	0	173,335	173,335	534,001	534,001	38,911	38,998
C Loan #198 Jetty Construction	WATC	6.05	03/20	928,379	0	0	227,502	227,502	700,877	700,877	51,070	51,185
S Loan #199 Busselton Bowling Club	WATC	5.98	12/20	81,029	0	0	16,184	16,184	64,845	64,845	4,487	4,498
S Loan #200 Dunsborough Bay Yacht Club	WATC	6.00	12/19	6,757	0	0	1,788	1,789	4,969	4,968	366	366
C Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	395,449	0	0	50,007	50,007	345,443	345,442	14,999	15,036
C Loan #204 Busselton Foreshore	WATC	4.36	06/29	995,244	0	0	58,249	58,249	936,995	936,995	42,449	42,560
C Loan #205 GLC Extensions	WATC	3.92	06/24	999,529	0	0	108,562	108,562	890,967	890,967	37,599	37,694
S Loan# 208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	26,742	0	0	2,636	2,636	24,106	24,106	755	756
C Loan# 209 Busselton Foreshore	WATC	3.56	06/27	6,085,774	0	0	460,507	460,507	5,625,267	5,625,267	210,551	211,095
C Loan# 211 Busselton Foreshore	WATC	2.55	10/24	0	3,000,000	3,000,000	117,257	170,160	2,882,743	2,829,840	74,272	49,867
S Loan# 212 Dunsborough and Districts Country	WATC	3.04	05/27	0	150,000	114,000	11,873	0	138,127	114,000	7,280	565
S Loan# 213 Geographe Bay Yacht Club	WATC	3.04	05/27	0	0	100,000	0	0	0	100,000	0	496
Transport												
C Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	761,071	0	0	132,423	132,423	628,648	628,648	29,826	29,898
C Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	291,530	0	0	31,664	31,664	259,865	259,866	10,966	10,994
C Loan# new Dunsborough Car Parking					500,000	0	19,543	0	480,457	0	12,379	0
Economic Services												
S Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	57,984	0	0	9,963	9,963	48,021	48,021	2,584	2,590
Other Property and Services												
C Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	850,000	0	0	0	0	850,000	850,000	30,685	30,769
Total - Council and Self-supporting Loans				29,023,844	3,650,000	3,214,000	2,089,302	2,110,790	30,584,542	30,127,054	1,318,330	1,278,501
C Council Loans are financed by general purpose income.				28,777,636	3,500,000	3,000,000	1,998,261	2,031,622	30,279,375	29,746,014	1,299,358	1,265,725
S Self-Supporting Loans are financed by payments from third parties.				246,208	150,000	214,000	91,041	79,168	305,167	381,040	18,972	12,776
				29,023,844	3,650,000	3,214,000	2,089,302	2,110,790	30,584,542	30,127,054	1,318,330	1,278,501

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

21. Information on Borrowings (continued)

(b) New Debentures – 2016/17

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan# 211 Busselton Foreshore	3,000,000	3,000,000	WATC	Debenture	8	3,325,916	2.55%	2,272,691	3,000,000	727,309
Loan# 212 Dunsborough and Districts Country Club	114,000	150,000	WATC	Debenture	10	133,062	3.04%	114,000	150,000	0
Loan# 213 Geographe Bay Yacht Club	100,000	0	WATC	Debenture	10	116,721	3.04%	100,000	0	0
	3,214,000	3,150,000				3,575,699		2,486,691	3,150,000	727,309

(c) Unspent Debentures

Particulars / Purpose	Date Borrowed	Balance 01-July-16 \$	Borrowed During Year \$	Expended During Year \$	Balance 30-June-17 \$
Loan #206 Airport Jet A1 Installation	27 th May 14	350,000	0	0	350,000
Loan #207 Civic and Administration Centre	5 th Aug 15	11,814,033	0	11,814,033	0
Loan# 209 Busselton Foreshore	13 th May 15	610,584	0	424,295	186,289
Loan # 211 Busselton Foreshore	31 st October 16	0	3,000,000	2,272,691	727,309
		12,774,617	3,000,000	14,511,019	1,263,598

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2016/17. The balance of actual bank overdraft as at 1 July 2016 and 30 June 2017 was Nil.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

**22. Rating Information – 2016/17 Financial Year
(a) Rates**

Rate Type	Rate in \$	Number of Properties #	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
GRV–Residential	8.3838	12,974	244,646,340	20,510,597	0	20,510,597	20,510,597	0	20,510,597
GRV–Industrial	10.1243	385	17,932,789	1,815,567	0	1,815,567	1,815,567	0	1,815,567
GRV–Commercial	10.1243	1,345	60,433,227	6,118,435	0	6,118,435	6,118,435	0	6,118,435
GRV–Residential Vacant Land	8.3838	330	9,459,870	793,095	0	793,095	793,095	0	793,095
GRV–Industrial Vacant Land	11.1528	76	1,677,600	187,099	0	187,099	187,099	0	187,099
GRV–Commercial Vacant Land	11.1528	49	2,544,550	283,788	0	283,788	283,788	0	283,788
UV-Primary Production	0.4031	848	612,604,000	2,469,403	0	2,469,403	2,469,403	0	2,469,403
UV-Rural	0.3669	1,464	683,837,000	2,508,992	0	2,508,992	2,508,992	0	2,508,992
UV-Commercial	0.7337	146	88,379,000	648,436	0	648,436	648,436	0	648,436
Interim Rates		0	0	0	513,349	513,349	0	431,372	431,372
Sub-Totals		17,617	1,721,514,376	35,335,412	513,349	35,848,761	35,335,412	431,372	35,766,784
Minimum \$									
Minimum Differential General Rate									
GRV–Residential	1,160	1,519	19,652,678	1,762,040	0	1,762,040	1,762,040	0	1,762,040
GRV–Industrial	1,160	24	229,057	27,840	0	27,840	27,840	0	27,840
GRV–Commercial	1,160	539	3,616,444	625,240	0	625,240	625,240	0	625,240
GRV–Residential Vacant Land	1,160	1,275	8,957,748	1,479,000	0	1,479,000	1,479,000	0	1,479,000
GRV–Industrial Vacant Land	1,160	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	1,160	75	374,500	87,000	0	87,000	87,000	0	87,000
UV-Primary Production	1,160	215	45,600,500	249,400	0	249,400	249,400	0	249,400
UV-Rural	1,160	1,043	220,213,500	1,209,880	0	1,209,880	1,209,880	0	1,209,880
UV-Commercial	1,160	90	4,922,276	104,400	0	104,400	104,400	0	104,400
Sub-Totals		4,780	303,566,703	5,544,800	0	5,544,800	5,544,800	0	5,544,800
Back Rates / Prior Period Adj. (refer note 26)						111,041			111,200
Total Amount Raised from General Rates						41,504,602			41,422,784
Specified Area Rate (refer note 24)						483,998			476,526
Totals						41,988,600			41,899,310

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

23. Net Current Assets

Composition of net current assets

	<u>2017</u> 30 June 2017 C/FWD \$	<u>2017</u> 1 July 2016 B/FWD \$	<u>2016</u> 30 June 2016 C/FWD \$
Surplus / (Deficit)	1,839,640	1,178,089	1,178,089
<u>Comprises:</u>			
Cash - Unrestricted	4,815,096	3,251,577	3,251,577
Cash - Restricted	81,774,379	112,598,579	112,598,579
Sundry Debtors	2,872,111	2,501,984	2,501,984
Rates Debtors	950,768	787,186	787,186
Inventories	24,457	20,420	20,420
	90,436,811	119,159,746	119,159,746
<u>Less:</u>			
Sundry Creditors	(3,138,757)	(4,716,458)	(4,716,458)
Sundry Creditors – Deposits and Bonds	(2,214,179)	(2,425,748)	(2,425,748)
Accrued Expenses	(3,684,035)	(666,620)	(666,620)
	(9,036,971)	(7,808,826)	(7,808,826)
	81,399,840	111,350,920	111,350,920
Add Current Liabilities Cash Backed	2,214,179	2,425,748	2,425,748
Less Restricted Cash	(81,774,379)	(112,598,579)	(112,598,579)
Surplus / (Deficit)	1,839,640	1,178,089	1,178,089

Difference:

There was no difference between the Surplus 1 July 2016 Brought Forward position used in the 2017 audited financial report and the Surplus Carried Forward position as disclosed in the 2016 audited financial report.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

24. Specified Area Rate - 2016/17 Financial Year

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe							
• Rate	1.3402	GRV	12,748,110	170,847	170,847	170,847	170,847
• Interim Rate				1,703	0	1,703	0
• Back Rate							
				172,550	170,847	172,550	170,847

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
• Rate	1.2372	GRV	11,632,670	143,919	143,919	143,919	143,919
• Rate	0.0132	UV	9,632,000	1,271	1,271	1,271	1,271
• Interim Rate				4,395	0	4,395	0
• Back Rate							
				149,585	145,190	149,585	145,190

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse							
• Rate	1.5800	GRV	10,157,520	160,489	160,489	160,489	160,489
• Interim Rate				1,374	0	1,374	0
• Back Rate							
				161,863	160,489	161,863	160,489

The purpose of the Specified Area Rates is disclosed in note 11 "Purpose of Reserves".

25. Service Charges – 2016/17 Financial Year

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

26. Discounts, Incentives, Concessions & Write-offs – 2016/17 Financial Year

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Back Rates Levied / Prior Period Adjustments	Adjustment	0	111,041	111,200
Write-offs	Write-off	0	0	0
		0	111,041	111,200

27. Interest Charges and Instalments – 2016/17 Financial Year

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11%	0	184,883	105,000
Interest on Instalments Plan	5.5%	0	222,597	203,000
Charges on Instalment Plan	0%	\$4.50	109,182	107,600
			516,662	415,600

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 2nd September 2016 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 2nd September 2016 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

- 1st Instalment 2nd September 2016
- 2nd Instalment 2nd November 2016
- 3rd Instalment 3rd January 2017
- 4th Instalment 3rd March 2017

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
28. Fees & Charges		
General Purpose Funding	87,754	85,188
Governance	1,350	907
Law, Order & Public Safety	209,007	224,552
Health	417,892	402,811
Education and Welfare	158	156
Housing	467,268	454,736
Community Amenities	8,616,904	8,477,773
Recreation and Culture	2,559,229	2,201,078
Transport	1,102,045	1,321,920
Economic Services	1,908,715	1,901,026
Other Property and Services	192,312	181,086
	15,562,634	15,251,233

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

	2017 Actual \$	2016 Actual \$
29. Grant Revenue		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income		
(a) By Nature and Type:		
Operating Grants, Subsidies and Contributions	6,364,207	4,423,460
Non- Operating Grants, Subsidies and Contributions	17,605,379	25,422,452
	23,969,586	29,845,912
By Program:		
General Purpose Funding	3,682,913	1,725,631
Governance	205,840	399,771
Law, Order & Public Safety	1,237,369	620,482
Health	20,426	18,353
Education and Welfare	6,077	7,146
Housing	3,661	4,244
Community Amenities	321,948	279,507
Recreation and Culture	5,291,129	12,567,606
Transport	12,911,183	13,914,259
Economic Services	29,397	24,316
Other Property and Services	259,643	284,597
	23,969,586	29,845,912

City of Busselton

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For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

	2017 Actual \$	2016 Actual \$
29. Grant Revenue (Continued)		
(b) Reimbursements, Recoveries and Donations included above		
By Program:		
General Purpose Funding	23,014	2,074
Governance	205,840	359,847
Law, Order & Public Safety	364,388	401,734
Health	1,212	1,008
Education and Welfare	6,077	7,146
Housing	3,661	4,244
Community Amenities	14,081	51,802
Recreation and Culture	147,364	141,578
Transport	26,201	13,149
Economic Services	3,208	8,382
Other Property and Services	232,842	232,325
	1,027,888	1,223,289
	2017 Actual \$	2017 Budget \$
		2016 Actual \$

30. Councillors Remuneration

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

Mayor & Deputy Allowance	78,408	78,450	77,631
Councillors Sitting Fees	235,620	235,620	211,769
Travelling Allowance - Councillors Meetings	13,705	17,300	15,061
Communication Allowance	31,500	32,130	31,481
	359,233	363,500	335,942

31. Post Balance Date Events

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

32. Employee Numbers

The number of full-time equivalent employees at balance date

2017	2016
310.5	304.0

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

33. Related Party Transactions

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration paid to KMP of the City during the year are as follows:

	2017
	\$
Short-term employee benefits	1,068,871
Post-employment benefits	113,556
Other long-term benefits	127,433
Termination benefits	0
	<hr/> <hr/> 1,309,860

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 30.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP.

Related Parties

i Key management personnel

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

ii Entities subject to significant influence by the City

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

iii Joint venture entities accounted for under the equity method

The interest in the joint venture entity (if any) is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 16.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

33. Related Party Transactions (Continued)

Council has assessed the materiality of disclosure of transactions with related parties on the following criteria;

- 1) The potential effect of the relationship on the financial statements;
- 2) Whether the transaction occurred as:
 - a. Part of a public service provider relationship with a taxpayer on terms no different to that of a transaction with the general public; or
 - b. Part of an ordinary operational transaction within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect the council would have adopted with the party at arm's length in the same circumstances.

Council has determined that no material transactions with related parties have occurred during the financial year ended 30 June 2017.

34. Major Land Transactions

Council did not participate in any major land transactions during the 2016/17 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 2016/17 financial year.

City of Busselton

Financial Report

For the Year Ended 30th June 2017

Notes to and Forming Part of the Financial Report

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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	86,589,476	115,850,156	86,589,476	115,850,156
Receivables	4,744,833	3,983,176	4,744,833	3,983,176
Financial assets at fair value through profit or loss	0	0	0	0
	<u>91,334,309</u>	<u>119,833,332</u>	<u>91,334,309</u>	<u>119,833,332</u>
Financial Liabilities				
Payables	6,822,792	5,383,078	6,822,792	5,383,078
Borrowings	30,127,054	29,023,843	32,746,885	32,177,246
	<u>36,949,846</u>	<u>34,406,921</u>	<u>39,569,677</u>	<u>37,560,324</u>

Fair value is determined as follows:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 2017	30 June 2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments at balance date:		
• Equity	865,895	1,158,501
• Statement of Comprehensive Income	865,895	1,158,501

Notes:

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

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 2017	30 June 2016
	\$	\$
Percentage of Rates and Annual Charges		
• Current	11.00%	10.00%
• Overdue	89.00%	90.00%
Percentage of Other Receivables		
• Current	97.38%	99.46%
• Overdue	2.62%	0.54%

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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 \$
2017					
Payables	6,822,792	0	0	6,822,792	6,822,792
Borrowings	3,637,537	12,959,054	22,939,921	39,536,512	30,127,054
	<u>10,460,329</u>	<u>12,959,054</u>	<u>22,939,921</u>	<u>46,359,304</u>	<u>36,949,846</u>
2016					
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>

City of Busselton
Financial Report
For the Year Ended 30th June 2017
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>< 1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2017</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	1,264,948	64,845	676,669	28,120,592	30,127,054	4.14%
Weighted Average Effective Interest Rate	0.00%	0.00%	6.05%	5.98%	4.23%	4.05%		
<u>Year Ended 30 June 2016</u>								
Borrowings								
Fixed Rate								
Debentures	39,535	0	0	40,919	1,716,744	27,226,645	29,023,843	4.33%
Weighted Average Effective Interest Rate	6.79%	0.00%	0.00%	5.89%	6.05%	4.22%		



AMD
CHARTERED ACCOUNTANTS

T +61 (8) 9780 7555
F +61 (8) 9721 8982

E amd@amdonline.com.au
www.amdonline.com.au

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury WA 6231

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

Opinion

We have audited the accompanying financial report of the City of Busselton which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

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

- (i) gives a true and fair view, in all material respects, of the financial position of the City of Busselton as at 30 June 2017, and of its financial performance and its cash flows for the year then ended;
- (ii) complies with Australian Accounting Standards; and
- (iii) is prepared in accordance with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

Report on Other Legal and Regulatory Requirements

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 of Busselton;
- (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, with exception of the following:
 - a. The mid-year budget review was not completed prior to 31 March 2017 in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996. The review was completed on 9 May 2017 and forwarded to the Department of Local Government 1 June 2017; and
 - b. The monthly financial statements for November 2016 and May 2017 were not presented at an ordinary council meeting within two months after the end of the month to which the financial statements relate; as required by Regulation 34(4) of the Local Government (Financial Management) Regulations 1996.
- (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; and
- (v) All audit procedures were satisfactorily completed during our audit.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the ethical requirements the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the City's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council 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 and the Local Government (Financial Management) Regulations 1996 and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the City to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

Council is responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibility for the audit of the financial report is located at the Auditing and Assurance Standard Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our audit report.

AMD Chartered Accountants



TIM PARTRIDGE
Partner

28-30 Wellington Street, Bunbury, Western Australia

Dated this 12th day of October 2017

City of Busselton

Financial Report

For the Year Ended 30th June 2017

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.

	2017 Actual	2016 Actual	2015 Actual
Asset Consumption Ratio	0.723	0.739	0.727
Asset Renewal Funding Ratio	1.000	1.000	1.000

The above ratios are calculated as follows:

Asset Consumption Ratio
(ratio required to meet basic standard > 0.5)

$$\frac{\text{Depreciated replacement cost of depreciable assets}}{\text{Current replacement cost of depreciable assets}}$$

Asset Renewal Funding Ratio
(ratio required to achieve basic standard > 0.75)

$$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$$