

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

Report on the Financial Report

We have audited the accompanying financial report of the City of Busselton, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2015, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Management's responsibility for the financial report

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

Auditor's responsibility

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

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

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

Opinion

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

- i. gives a true and fair view of the City of Busselton's financial position as at 30 June 2015 and of its performance for the financial year ended 30 June 2015;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Statutory Compliance

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

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit with exception to the following:
 - The budget review was completed between the period 1 January and 31 March 2015 and was submitted to Council for endorsement on 27 May 2015. In accordance with section 33A (2) of the Local Government (Financial Management) Regulation 1996 (as amended), the budget review is to be submitted to Council within 30 days after the budget review has been completed.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE

Partner

Bunbury, Western Australia

Dated this 1st day of October 2015

**REPORT OF THE INDEPENDENT AUDITOR
ON THE SUMMARY FINANCIAL STATEMENTS
TO THE ELECTORS OF THE CITY OF BUSSELTON**

Report on the Summary Financial Statements

The accompanying summary financial statements, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows and rate setting statement for the year then ended, related notes and statement by chief executive officer, are derived from the audited financial report of the City of Busselton for the year ended 30 June 2015. We expressed an unmodified audit opinion on the financial report in our report dated 1 October 2015. The financial report and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on that financial report.

The summary financial statements do not contain all the disclosures required by the Local Government Act 1995 (as amended) and Australian Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of the City of Busselton.

Council's Responsibility for the Summary Financial Statements

Council is responsible for the preparation of a summary of the audited financial report in accordance with the Local Government Act 1995 (as amended) and Accounting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial report of the City of Busselton for the year ended 30 June 2015 are consistent, in all material respects, with that audited financial report, in accordance with the Local Government Act 1995 (as amended) and Australian Accounting Standards.

AMD Chartered Accountants



TIM PARTRIDGE
Partner

Bunbury, Western Australia

Dated this 1st day of October 2015



City of Busselton

Geographe Bay

Financial Report

For the year ended

30 June 2015

City of Busselton
Financial Report
For the Year Ended 30th June 2015

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City of Busselton

Financial Report

For the Year Ended 30th June 2015

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 2015 are in my opinion properly drawn up to present fairly the financial position of the City of Busselton at 30th June 2015 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 1st day of October 2015



Mike Archer
Chief Executive Officer

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Statement of Comprehensive Income by Nature or Type

| | Note | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|------|---------------------------|--------------------------|--------------------------|
| REVENUE | | | | |
| Rates | 24 | 36,435,431 | 35,957,473 | 33,727,074 |
| Operating Grants, Subsidies and Contributions | 30 | 5,725,267 | 4,102,963 | 4,741,717 |
| Fees and Charges | 29 | 14,577,884 | 13,627,230 | 13,590,101 |
| Interest Earnings | 2(a) | 2,364,597 | 2,552,190 | 1,988,853 |
| Other Revenue | | 472,824 | 605,222 | 711,267 |
| | | <u>59,576,003</u> | <u>56,845,078</u> | <u>54,759,012</u> |
| EXPENSES | | | | |
| Employee Costs | | (25,741,782) | (24,819,323) | (23,534,302) |
| Materials and Contracts | | (13,607,132) | (15,308,252) | (14,342,701) |
| Utility Charges | | (2,085,357) | (2,234,664) | (2,219,650) |
| Depreciation on Non-Current Assets | 2(a) | (12,088,317) | (10,002,780) | (10,128,224) |
| Interest Expenses | 2(a) | (1,051,214) | (1,435,644) | (238,817) |
| Insurance Expenses | | (695,850) | (785,076) | (744,075) |
| Other Expenditure | | (1,109,427) | (1,390,141) | (1,033,819) |
| | | <u>(56,379,079)</u> | <u>(55,975,880)</u> | <u>(52,241,588)</u> |
| | | 3,196,924 | 869,198 | 2,517,424 |
| Non-Operating Grants, Subsidies and Contributions | 30 | 61,822,972 | 14,210,883 | 22,979,810 |
| Profit on Asset Disposals | 22 | 85,916 | 11,324 | 45,363 |
| Loss on Asset Disposals | 22 | (211,848) | (65,915) | (241,424) |
| | | <u>61,697,040</u> | <u>14,156,292</u> | <u>22,783,749</u> |
| NET RESULT | | 64,893,964 | 15,025,490 | 25,301,173 |
| Other Comprehensive Income | | | | |
| Changes on revaluation of non-current assets | 14 | 145,830,571 | 0 | 44,100,475 |
| Total Other Comprehensive Income | | <u>145,830,571</u> | <u>0</u> | <u>44,100,475</u> |
| TOTAL COMPREHENSIVE INCOME | | <u><u>210,724,535</u></u> | <u><u>15,025,490</u></u> | <u><u>69,401,648</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 2015

Statement of Comprehensive Income by Program

| | Note | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| General Purpose Funding | | 42,167,938 | 40,749,721 | 37,132,429 |
| Governance | | 198,630 | 90,849 | 310,621 |
| Law, Order & Public Safety | | 708,304 | 619,638 | 652,751 |
| Health | | 376,631 | 302,628 | 350,040 |
| Education and Welfare | | 6,227 | 6,290 | 5,818 |
| Housing | | 432,770 | 405,426 | 393,986 |
| Community Amenities | | 8,305,459 | 7,600,799 | 8,197,453 |
| Recreation and Culture | | 3,256,492 | 3,123,740 | 3,058,646 |
| Transport | | 1,591,747 | 1,601,607 | 2,368,844 |
| Economic Services | | 2,067,241 | 2,017,827 | 1,961,583 |
| Other Property and Services | | 464,564 | 326,553 | 326,841 |
| | | <u>59,576,003</u> | <u>56,845,078</u> | <u>54,759,012</u> |
| Expenses Excluding Finance Costs | | | | |
| General Purpose Funding | | (1,179,899) | (1,165,546) | (883,336) |
| Governance | | (4,300,889) | (4,573,396) | (4,842,293) |
| Law, Order & Public Safety | | (2,540,537) | (2,484,052) | (2,336,608) |
| Health | | (1,168,389) | (1,191,208) | (1,107,293) |
| Education and Welfare | | (147,878) | (145,554) | (135,169) |
| Housing | | (1,035,254) | (380,460) | (308,628) |
| Community Amenities | | (11,376,752) | (11,394,947) | (10,216,386) |
| Recreation and Culture | | (15,228,810) | (15,130,492) | (13,946,231) |
| Transport | | (13,874,578) | (13,713,301) | (13,716,022) |
| Economic Services | | (3,482,871) | (3,410,515) | (3,377,459) |
| Other Property and Services | | (992,008) | (950,765) | (1,133,346) |
| | | <u>(55,327,865)</u> | <u>(54,540,236)</u> | <u>(52,002,771)</u> |
| Finance Costs | | | | |
| Governance | 2(a) | (720,244) | (934,790) | 0 |
| Community Amenities | | 0 | 0 | (5,040) |
| Recreation and Culture | | (272,456) | (442,340) | (197,625) |
| Transport | | (55,030) | (55,030) | (31,606) |
| Economic Services | | (3,484) | (3,484) | (4,546) |
| | | <u>(1,051,214)</u> | <u>(1,435,644)</u> | <u>(238,817)</u> |
| Non-Operating Grants, Subsidies & Contributions | | | | |
| Law, Order & Public Safety | 30 | 109,270 | 0 | 1,367,508 |
| Health | | 14,887 | 0 | 43,999 |
| Community Amenities | | 387,543 | 406,500 | 312,500 |
| Recreation and Culture | | 5,045,148 | 7,669,707 | 7,552,540 |
| Transport | | 56,266,124 | 6,119,676 | 13,703,263 |
| Other Property and Services | | 0 | 15,000 | 0 |
| | | <u>61,822,972</u> | <u>14,210,883</u> | <u>22,979,810</u> |
| Profit / (Loss) on Disposal of Assets | | | | |
| Governance | 22 | (45,070) | (10,500) | (3,340) |
| Law, Order & Public Safety | | (7,088) | (7,600) | (53,336) |
| Health | | (768) | (1,000) | 0 |
| Community Amenities | | 17,939 | (7,728) | 117 |
| Recreation and Culture | | (21,198) | (8,484) | (32,621) |
| Transport | | (68,813) | (20,179) | (105,539) |
| Economic Services | | (2,063) | (1,000) | 299 |
| Other Property and Services | | 1,129 | 1,900 | (1,641) |
| | | <u>(125,932)</u> | <u>(54,591)</u> | <u>(196,061)</u> |
| NET RESULT | | 64,893,964 | 15,025,490 | 25,301,173 |
| Other Comprehensive Income | | | | |
| Changes on revaluation of non-current assets | 14 | 145,830,571 | 0 | 44,100,475 |
| Total Other Comprehensive Income | | 145,830,571 | 0 | 44,100,475 |
| TOTAL COMPREHENSIVE INCOME | | 210,724,535 | 15,025,490 | 69,401,648 |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Statement of Financial Position

| | Note | 2015 Actual \$ | 2014 Actual \$ |
|---|------|----------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 3 | 119,604,734 | 45,748,580 |
| Investments | 4 | 0 | 0 |
| Trade and Other Receivables | 5 | 2,653,873 | 3,759,219 |
| Inventories | 6 | 20,270 | 25,702 |
| TOTAL CURRENT ASSETS | | 122,278,877 | 49,533,501 |
| NON-CURRENT ASSETS | | | |
| Other Receivables | 5 | 424,866 | 454,472 |
| Property, Plant and Equipment | 7 | 96,040,305 | 92,858,218 |
| Infrastructure | 8 | 432,664,125 | 270,649,960 |
| TOTAL NON-CURRENT ASSETS | | 529,129,296 | 363,962,650 |
| TOTAL ASSETS | | 651,408,173 | 413,496,151 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 10 | 9,880,193 | 6,495,848 |
| Current Portion of Long Term Borrowings | 11 | 1,823,987 | 764,209 |
| Provisions | 12 | 3,824,143 | 3,257,535 |
| TOTAL CURRENT LIABILITIES | | 15,528,323 | 10,517,592 |
| NON-CURRENT LIABILITIES | | | |
| Long Term Borrowings | 11 | 28,173,844 | 6,113,148 |
| Provisions | 12 | 666,052 | 549,992 |
| TOTAL NON-CURRENT LIABILITIES | | 28,839,896 | 6,663,140 |
| TOTAL LIABILITIES | | 44,368,219 | 17,180,732 |
| NET ASSETS | | 607,039,954 | 396,315,419 |
| EQUITY | | | |
| Retained Surplus | | 367,765,985 | 323,883,018 |
| Reserves – Cash Backed | 13 | 49,145,982 | 28,134,985 |
| Revaluation Surplus | 14 | 190,127,987 | 44,297,416 |
| TOTAL EQUITY | | 607,039,954 | 396,315,419 |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Statement of Changes in Equity

| | Retained Surplus | Reserves Cash Backed | Revaluation Surplus | Total Equity |
|--|---------------------|----------------------------|------------------------|--------------------|
| Note | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2013 | 298,329,958 | 28,386,872 | 196,941 | 326,913,771 |
| Changes in Accounting Policy | 0 | 0 | 0 | 0 |
| Correction of Errors | 0 | 0 | 0 | 0 |
| Restated Balance | 298,329,958 | 28,386,872 | 196,941 | 326,913,771 |
| <u>Comprehensive Income</u> | | | | |
| Net Result | 25,301,173 | 0 | 0 | 25,301,173 |
| Changes on Revaluation of Non-Current Assets | 0 | 0 | 44,100,475 | 44,100,475 |
| Total Other Comprehensive Income | 25,301,173 | 0 | 44,100,475 | 69,401,648 |
| Transfer from / (to) Reserves | 251,887 | (251,887) | 0 | 0 |
| Balance as at 30 June 2014 | 323,883,018 | 28,134,985 | 44,297,416 | 396,315,419 |
| <u>Comprehensive Income</u> | | | | |
| Net Result | 64,893,964 | 0 | 0 | 64,893,964 |
| Changes on Revaluation of Non-Current Assets | 0 | 0 | 145,830,571 | 145,830,571 |
| Total Other Comprehensive Income | 64,893,964 | 0 | 145,830,571 | 210,724,535 |
| Transfer from / (to) Reserves | (21,010,997) | 21,010,997 | 0 | 0 |
| Balance as at 30 June 2015 | 367,765,985 | 49,145,982 | 190,127,987 | 607,039,954 |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Statement of Cash Flows

| | Note | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|--------|----------------------|----------------------|----------------------|
| Cash Flows from Operating Activities | | | | |
| Receipts | | | | |
| Rates | | 37,329,430 | 36,057,473 | 33,323,257 |
| Operating Grants, Subsidies and Contributions | | 6,014,802 | 4,202,963 | 5,276,793 |
| Fees & Charges | | 14,727,590 | 13,727,230 | 13,833,507 |
| Interest Earnings | | 2,364,597 | 2,552,190 | 1,988,853 |
| Goods and Services Tax | | 9,626,890 | 4,000,000 | 4,960,893 |
| Other Revenue | | 134,063 | 1,705,222 | 2,489,470 |
| | | <u>70,197,372</u> | <u>62,245,078</u> | <u>61,872,773</u> |
| Payments | | | | |
| Employee Costs | | (25,058,437) | (24,864,459) | (23,292,650) |
| Materials and Contracts | | (13,198,823) | (15,208,641) | (14,676,691) |
| Utility Charges | | (2,085,357) | (2,234,664) | (2,219,650) |
| Insurance Expenses | | (695,850) | (785,076) | (744,075) |
| Interest Expenses | | (1,051,214) | (1,435,644) | (238,817) |
| Goods and Services Tax | | (5,032,750) | (4,000,000) | (5,063,735) |
| Other Expenditure | | (2,747,789) | (2,392,867) | (1,717,119) |
| | | <u>(49,870,220)</u> | <u>(50,921,351)</u> | <u>(47,952,737)</u> |
| Net Cash Provided by (used in) Operating Activities | 15(b) | <u>20,327,152</u> | <u>11,323,727</u> | <u>13,920,036</u> |
| Cash Flows from Investing Activities | | | | |
| Payment for Purchase of Property, Plant & Equipment | | (8,036,596) | (14,130,513) | (10,099,303) |
| Payment for Construction of Infrastructure | | (15,621,094) | (25,412,848) | (14,138,248) |
| Advances to Community Groups | | (30,000) | (30,000) | 0 |
| Non-Operating Grants, Subsidies and Contributions | | 53,071,923 | 13,090,883 | 7,810,128 |
| Proceeds from Sale of Assets | | 955,956 | 867,850 | 656,253 |
| | | <u>30,340,189</u> | <u>(25,614,628)</u> | <u>(15,771,170)</u> |
| Net Cash Provided by (used In) Investing Activities | | <u>30,340,189</u> | <u>(25,614,628)</u> | <u>(15,771,170)</u> |
| Cash Flows from Financing Activities | | | | |
| Repayment of Debentures | | (1,409,527) | (1,444,827) | (752,231) |
| Proceeds from Self Supporting Loans | | 68,340 | 69,456 | 87,924 |
| Proceeds from New Debentures | | 24,530,000 | 24,830,000 | 3,750,000 |
| Net Cash Provided By (used In) Financing Activities | | <u>23,188,813</u> | <u>23,454,629</u> | <u>3,085,693</u> |
| Net Increase (Decrease) in Cash Held | | 73,856,154 | 9,163,728 | 1,234,559 |
| Cash at Beginning of Year | | 45,748,580 | 45,748,580 | 44,514,021 |
| Cash and Cash Equivalents at the End of the Year | 15 (a) | <u>119,604,734</u> | <u>54,912,308</u> | <u>45,748,580</u> |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Rate Setting Statement

| | Note | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|-------|----------------------|----------------------|----------------------|
| REVENUE | | | | |
| General Purpose Funding | | 6,145,551 | 5,188,744 | 3,782,573 |
| Governance | | 199,769 | 90,849 | 313,742 |
| Law, Order & Public Safety | | 830,298 | 619,638 | 2,025,400 |
| Health | | 391,517 | 302,628 | 394,039 |
| Education and Welfare | | 6,227 | 6,290 | 5,818 |
| Housing | | 432,770 | 405,426 | 393,986 |
| Community Amenities | | 8,723,495 | 8,013,973 | 8,519,076 |
| Recreation and Culture | | 8,323,491 | 10,795,997 | 10,614,305 |
| Transport | | 57,876,451 | 7,721,483 | 16,086,377 |
| Economic Services | | 2,067,241 | 2,017,827 | 1,965,921 |
| Other Property and Services | | 465,695 | 343,453 | 333,092 |
| | | <u>85,462,505</u> | <u>35,506,308</u> | <u>44,434,329</u> |
| EXPENSES | | | | |
| General Purpose Funding | | (1,179,899) | (1,165,546) | (883,336) |
| Governance | | (5,067,341) | (5,518,686) | (4,848,754) |
| Law, Order & Public Safety | | (2,560,349) | (2,491,652) | (2,395,083) |
| Health | | (1,169,157) | (1,192,208) | (1,107,293) |
| Education and Welfare | | (147,878) | (145,554) | (135,169) |
| Housing | | (1,035,254) | (380,460) | (308,628) |
| Community Amenities | | (11,389,305) | (11,409,349) | (10,230,431) |
| Recreation and Culture | | (15,544,315) | (15,583,866) | (14,179,597) |
| Transport | | (14,017,002) | (13,788,710) | (13,867,437) |
| Economic Services | | (3,488,419) | (3,414,999) | (3,386,044) |
| Other Property and Services | | (992,009) | (950,765) | (1,141,240) |
| | | <u>(56,590,928)</u> | <u>(56,041,795)</u> | <u>(52,483,012)</u> |
| Net Result Excluding Rates | | 28,871,577 | (20,535,487) | (8,048,683) |
| Adjustments for Cash Budget Requirements | | | | |
| Non-Cash Expenditure and Revenue | | | | |
| (Profit) / Loss on Asset Disposal | 22 | 125,932 | 54,591 | 196,061 |
| Movement in Allocations & Other Adjustments | | 60,030 | 0 | 0 |
| Movement in Deferred Pensioner Rates | | (15,600) | 0 | (27,169) |
| Movement in Deposits and Bonds | | (1,445,833) | 0 | 1,206,102 |
| Movement in Employee Benefit Provisions | | 682,668 | (33,135) | 243,766 |
| Movement in Non-Cash Contributions | 15(e) | (8,834,492) | (1,220,000) | (15,358,278) |
| Depreciation on Assets | 2(a) | 12,088,317 | 10,002,780 | 10,128,224 |
| Capital Expenditure and Revenue | | | | |
| Purchase of Land and Buildings | 7 | (4,320,079) | (9,962,051) | (6,554,651) |
| Purchase of Plant and Equipment | 7 | (3,297,281) | (3,477,092) | (2,941,061) |
| Purchase of Furniture and Fittings | 7 | (462,940) | (606,485) | (556,750) |
| Purchase of Infrastructure Assets | 8 | (15,621,094) | (25,512,849) | (14,138,248) |
| Proceeds from Disposal of Assets | 22 | 955,956 | 867,850 | 656,253 |
| Repayment of Debentures | 23(a) | (1,409,527) | (1,444,827) | (752,231) |
| Proceeds from New Debentures | 23(a) | 24,530,000 | 24,830,000 | 3,750,000 |
| Advances to Community Groups | 23(a) | (30,000) | (30,000) | 0 |
| Self Supporting Loan Principal Income | | 68,340 | 69,456 | 87,924 |
| Transfers to Reserves / Restricted Assets | | (84,394,120) | (27,478,955) | (15,791,044) |
| Transfers from Reserves / Restricted Assets | | 15,789,084 | 17,522,012 | 14,216,130 |
| ADD : Estimated Surplus / (Deficit) July 1 B/Fwd | 24(b) | 1,393,215 | 1,393,215 | 1,727,014 |
| LESS : Estimated Surplus / (Deficit) June 30 C/Fwd | 24(b) | 756,540 | 0 | 1,393,215 |
| Amount Required to be Raised from General Rates | 24(a) | <u>(36,022,387)</u> | <u>(35,560,977)</u> | <u>(33,349,856)</u> |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

(b) Goods and Services Tax (GST)

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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 2015

Notes to and Forming Part of the Financial Report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fixed Assets (Continued)

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

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

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

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or-

(II) Infrastructure;

and

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

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

In 2013, the City commenced the process of adopting Fair Value in accordance with the Regulations.

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

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a), the 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.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fixed Assets (Continued)

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.

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 2015

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

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

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

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

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 2015

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 2015

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 at least every 3 years.

(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 2015

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 2015

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 2015

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 2015

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 2015

Notes to and Forming Part of the Financial Report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Interests in Joint Arrangements (Continued)

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

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

(r) Superannuation

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

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operational cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the City's intentions to release for sale.

(t) Rounding Off Figures

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

(u) Comparative Figures

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

When the City applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) Budget Comparative Figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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 2015

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 Council.

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

| | Title | Issued/ Compiled | Applicable ⁽¹⁾ | Impact |
|-------|---|---------------------|---------------------------|---|
| (i) | AASB 9 Financial Instruments 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 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] | September 2012 | 1 January 2018 | Nil - The revisions embodied in this Standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the City (refer (i) above). |
| (iii) | AASB 15 Revenue from Contracts with Customers | December 2014 | 1 January 2017 | This Standard establishes principles for entities to apply and 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. |
| (iv) | AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative date: Part C Financial Instruments - 1 January 2015] | December 2013 | Refer title column | Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the City |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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

Notes:

⁽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.

These new and revised standards were:

AASB 2011-7

AASB 2012-3

AASB 2013-3

AASB 2013-8

AASB 2013-9 Parts A & B

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|--|----------------------|----------------------|
| 2. Revenue and Expenses | | |
| (a) Net Result | | |
| The Net Result includes: | | |
| (i) Charging as an Expense: | | |
| Auditors Remuneration | | |
| - Audit of Financial Report | 20,530 | 20,300 |
| - Other Services | 5,760 | 5,777 |
| | <u>26,290</u> | <u>26,077</u> |
| Depreciation | | |
| Buildings | 1,929,653 | 989,252 |
| Furniture and Fittings | 557,881 | 672,476 |
| Plant and Equipment | 1,496,886 | 1,366,799 |
| Roads | 3,379,541 | 3,230,564 |
| Bridges | 211,176 | 166,714 |
| Car Parks | 75,396 | 66,727 |
| Stormwater Drainage | 549,133 | 509,484 |
| Regional Airport & Industrial Park | 111,977 | 110,449 |
| Other Infrastructure | 3,776,674 | 3,015,759 |
| | <u>12,088,317</u> | <u>10,128,224</u> |
| Interest Expenses (Finance Costs) | | |
| Overdraft Interest | 0 | 0 |
| Debentures (refer Note 23(a)) | 1,051,214 | 238,817 |
| | <u>1,051,214</u> | <u>238,817</u> |
| Rental Charges | | |
| Operating Leases | 482,118 | 446,709 |
| | <u>482,118</u> | <u>446,709</u> |
| (ii) Crediting as Revenue: | | |
| Significant Revenue | | |
| Transport | 45,933,094 | 0 |
| | <u>45,933,094</u> | <u>0</u> |

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|----------------------|----------------------|----------------------|
| 2. Revenue and Expenses (Continued) | | | |
| (a) Net Result (Continued) | | | |
| (ii) Crediting as Revenue (Continued): | | | |
| Interest Earnings | | | |
| Investments | | | |
| - Reserve Funds | 1,587,271 | 1,540,000 | 1,082,023 |
| - Restricted Funds | 0 | 0 | 2,335 |
| - Other Funds | 415,593 | 650,000 | 551,169 |
| - Other Interest Revenue (refer note 28) | 361,733 | 362,190 | 353,326 |
| | <u>2,364,597</u> | <u>2,552,190</u> | <u>1,988,853</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 2015

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 2015

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-13 | 2013/14 | 2013/14 | Balance (1) 30-Jun-14 | 2014/15 | 2014/15 | Balance 30-Jun-15 |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash in lieu of parking | Transport | 733,549 | 1,430 | (686,344) | 48,635 | 0 | 0 | 48,635 |
| Contribution to works | Classified by activity | 1,878,250 | 259,922 | (56,664) | 2,081,508 | 208,602 | (66,149) | 2,223,961 |
| Government grants | Classified by activity | 3,333,352 | 599,101 | (2,757,206) | 1,175,247 | 46,679,517 | (918,184) | 46,936,580 |
| Vasse diversion drain | Community amenities | 384,464 | 0 | 0 | 384,464 | 0 | (660) | 383,804 |
| C.P.A. infrastructure | Transport | 238,049 | 5,187 | 0 | 243,236 | 0 | 0 | 243,236 |
| C.P.A. Community Facilities | Classified by activity | 953,112 | 35,333 | 0 | 988,445 | 32,727 | 0 | 1,021,172 |
| C.P.A. Bushfire Facilities | Law, order and public safety | 54,264 | 408 | 0 | 54,672 | 0 | 0 | 54,672 |
| Cash in Lieu – Public Art | Classified by activity | 26,000 | 12,000 | 0 | 38,000 | 0 | 0 | 38,000 |
| Community recreation Fac. | Classified by activity | 4,086,856 | 1,475,500 | (57,874) | 5,504,482 | 1,015,167 | (220,932) | 6,298,717 |
| TOTAL | | 11,687,896 | 2,388,881 | (3,558,088) | 10,518,689 | 47,936,013 | (1,205,925) | 57,248,777 |

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 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|--|----------------------|----------------------|
| 3. Cash and Cash Equivalents | | |
| Unrestricted | 6,323,600 | 896,960 |
| Restricted | 113,281,134 | 44,851,620 |
| | 119,604,734 | 45,748,580 |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | |
| Airport Infrastructure Renewal & Replacement Reserve | 459,285 | 597,302 |
| Asset Depreciation Reserve | 2,546,024 | 4,026,327 |
| Beach Protection Reserve | 1,494,337 | 1,324,758 |
| Building Reserve | 1,409,407 | 1,500,203 |
| Corporate IT System Programme Reserve | 128,259 | 123,846 |
| Jetty Maintenance Reserve | 2,094,713 | 1,464,952 |
| Legal Expenses Reserve | 309,206 | 249,162 |
| Long Service Leave Reserve | 2,204,037 | 1,987,579 |
| City Car Parking and Access Reserve | 198,115 | 1,641 |
| Plant Replacement Reserve | 2,425,055 | 3,597,284 |
| Professional Development (Contractual Obligation) Reserve | 74,240 | 111,896 |
| Road Initiative Reserve | 118,257 | 2,435 |
| Sick Pay Incentive Reserve | 143,876 | 137,020 |
| Strategic Projects Reserve | 185,994 | 245,558 |
| Waste Management Facility and Plant Reserve | 8,134,429 | 5,824,494 |
| Port Geographe Development Reserve | 569,370 | 567,296 |
| Port Geographe Waterways Management Reserve | 3,265,183 | 3,295,493 |
| Workers Compensation Contingency Reserve | 265,278 | 256,150 |
| Provence Landscape Maintenance Reserve | 676,765 | 533,687 |
| Infrastructure Development Reserve | 2,311,813 | 1,778,228 |
| Vasse Newtown Landscape Maintenance Reserve | 406,922 | 358,408 |
| Untied Grants Reserve | 1,109,692 | 0 |
| Locke Estate Reserve | 0 | 114,516 |
| Busselton Community Centre Reserve | 63,513 | 36,750 |
| CBD Enhancement Reserve | 14,490 | 0 |
| Election, Valuation and Corporate Expenses Reserve | 35,799 | 0 |
| Civic and Administration Centre Construction Reserve | 18,501,924 | 0 |
| Less Accrued Interest on Restricted Assets | (378,530) | (203,009) |
| Cash set aside in Lieu of Parking | 48,635 | 48,635 |
| Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development | 2,223,961 | 2,081,508 |
| Cash set aside, being unspent specific purpose Government Grants for the Busselton Airport Development | 45,933,094 | 0 |
| Cash set aside, being unspent specific purpose Government Grants | 1,003,486 | 1,175,247 |
| Cash set aside, being Unspent Loan Funds | 4,113,273 | 1,912,266 |
| Cash set aside for Commonage Precinct Infrastructure and roads | 1,319,079 | 1,286,353 |
| Cash set aside for Sundry Restricted | 1,119,632 | 1,010,857 |
| Cash set aside for Vasse Diversion Drain | 383,804 | 384,464 |
| Cash in Lieu for Public Arts | 38,000 | 38,000 |
| Cash set aside for Community & Recreation Facilities | 6,298,718 | 5,504,482 |
| Cash set aside for Deposits & Bonds | 2,031,999 | 3,477,832 |
| | 113,281,134 | 44,851,620 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

3. Cash and Cash Equivalents (Continued)

3 (a). Airport Development Grant Funding

Council held funds in restricted assets totalling \$45,933,094 provided by Government of Western Australia Department of Regional Development relating to Royalties for Regions, Regional Infrastructure and Headworks Fund Growing our South - Busselton Regional Airport Funding as of the 30th June 2015.

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

| | 2015 Actual \$ | 2014 Actual \$ |
|---------------------------------------|----------------------|----------------------|
| 4. Investments | | |
| Investments | 0 | 0 |
| 5. Trade and Other Receivables | | |
| Current | | |
| Rates Outstanding | 396,641 | 1,454,095 |
| Rates Outstanding – Pensioners | 49,264 | 33,702 |
| Sundry Debtors | 2,133,460 | 1,827,716 |
| GST Receivable | 0 | 376,064 |
| Loans – Clubs / Institutions | 74,508 | 67,642 |
| | <u>2,653,873</u> | <u>3,759,219</u> |
| Non-Current | | |
| Rates Outstanding – Pensioners | 173,658 | 158,058 |
| Sundry Debtors | 5,000 | 5,000 |
| Loans – Clubs / Institutions) | 246,208 | 291,414 |
| | <u>424,866</u> | <u>454,472</u> |
| 6. Inventories | | |
| Current | | |
| Materials | 20,270 | 25,702 |
| | <u>20,270</u> | <u>25,702</u> |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|--|-----------------------|-----------------------|
| 7 (a). Property, Plant and Equipment | | |
| <u>Land & Buildings</u> | | |
| Freehold Land – Fair Value | 41,211,470 | 41,196,012 |
| | 41,211,470 | 41,196,012 |
| Buildings – Fair Value | 42,146,336 | 37,842,382 |
| Less Accumulated Depreciation | (1,929,653) | 0 |
| | 40,216,683 | 37,842,382 |
| Total Land and Buildings | 81,428,153 | 79,038,394 |
| Furniture and Fittings – Fair Value | 3,167,546 | 2,725,689 |
| Less Accumulated Depreciation | (1,230,357) | (672,476) |
| | 1,937,189 | 2,053,213 |
| Plant and Equipment – Fair Value | 15,538,647 | 13,133,410 |
| Less Accumulated Depreciation | (2,863,684) | (1,366,799) |
| | 12,674,963 | 11,766,611 |
| Total Property, Plant and Equipment | 96,040,305 | 92,858,218 |

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. 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 2015

Notes to and Forming Part of the Financial Report

7. Property, Plant and Equipment (Continued)

(b) Movements in Carrying Amounts

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

| | Land (Level 2) | Buildings Non-Specialised (Level 2) | Buildings Specialised (Level 3) | Furniture and Fittings (Level 3) | Plant and Equipment (Level 3) | Total |
|-----------------------------------|-------------------|--|------------------------------------|-------------------------------------|----------------------------------|-------------------|
| Balance as at 1 July 2014 | 41,196,012 | 22,637,551 | 15,204,831 | 2,053,213 | 11,766,611 | 92,858,218 |
| Additions | 15,458 | 2,155,985 | 2,148,636 | 462,940 | 3,297,281 | 8,080,300 |
| (Disposals) | 0 | (675) | 0 | (23,583) | (1,045,003) | (1,069,261) |
| Revaluation - Increments | 0 | 0 | 0 | 0 | 0 | 0 |
| - (Decrements) | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment - (Losses) | 0 | 0 | 0 | 0 | 0 | 0 |
| - Reversals | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation - (Expense) | 0 | (1,175,847) | (753,806) | (557,881) | (1,496,886) | (3,984,420) |
| Donated Assets | 0 | 0 | 0 | 2,500 | 152,960 | 155,460 |
| Other Movements | 0 | 0 | 8 | 0 | 0 | 8 |
| Balance as at 30 June 2015 | 41,211,470 | 23,617,014 | 16,599,669 | 1,937,189 | 12,674,963 | 96,040,305 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

7. 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 Valuer | Registered June 2014 | Price per hectare / market borrowing rate |
| Non-Specialised Buildings | 3 | Improvements to land valued using cost approach using depreciated replacement cost | Independent Valuer | Registered June 2014 | Improvements to land using construction costs and current condition (level 2), residual values and remaining useful life assessment's (level 3) inputs |
| Specialised Buildings | 2 | Market approach using recent observable market data for similar properties | Independent Valuer | Registered June 2014 | Price per square meter / market borrowing rate |
| <u>Furniture & Equipment</u> | | | | | |
| Furniture & Equipment | 3 | Cost approach using depreciated replacement cost | Management valuation | June 2013 | 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 2013 | Purchased cost 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 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 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|---|----------------------|----------------------|
| 8 (a). Infrastructure | | |
| Roads – Management Valuation 2015 – Level 3 | 253,913,312 | 0 |
| Roads – Cost | 0 | 201,893,847 |
| Less Accumulated Depreciation | 0 | (53,877,908) |
| | 253,913,312 | 148,015,939 |
| | | |
| Bridges – Management Valuation 2015 – Level 3 | 30,376,832 | 0 |
| Bridges – Cost | 0 | 12,616,810 |
| Less Accumulated Depreciation | 0 | (2,052,466) |
| | 30,376,832 | 10,564,344 |
| | | |
| Car Parks – Management Valuation 2015 – Level 3 | 8,501,381 | 0 |
| Car Parks – Cost | 0 | 2,841,195 |
| Less Accumulated Depreciation | 0 | (431,738) |
| | 8,501,381 | 2,409,457 |
| | | |
| Stormwater Drainage – Management Valuation 2015 – Level 3 | 44,838,496 | 0 |
| Stormwater Drainage – Cost | 0 | 42,436,953 |
| Less Accumulated Depreciation | 0 | (10,136,168) |
| | 44,838,496 | 32,300,785 |
| | | |
| Regional Airport and Industrial Park – Management Valuation 2015 – Level 3 | 4,765,153 | 0 |
| Regional Airport and Industrial Park – Cost | 0 | 4,331,597 |
| Less Accumulated Depreciation | 0 | (1,648,922) |
| | 4,765,153 | 2,682,675 |
| | | |
| Other Infrastructure – Management Valuation 2015 – Level 3 | 90,268,951 | 0 |
| Stormwater Drainage – Cost | 0 | 96,420,881 |
| Less Accumulated Depreciation | 0 | (21,744,121) |
| | 90,268,951 | 74,676,760 |
| | 432,664,125 | 270,649,960 |

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. 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 2015

Notes to and Forming Part of the Financial Report

8. Infrastructure (Continued)
(b) Movements in Carrying Amounts

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

| | Roads \$ | Bridges \$ | Car Parks \$ | Drainage \$ | Airport \$ | Other \$ | Total \$ |
|-----------------------------------|--------------------|-------------------|------------------|-------------------|------------------|-------------------|--------------------|
| Balance as at 1 July 2014 | 148,015,939 | 10,564,344 | 2,409,457 | 32,300,785 | 2,682,675 | 74,676,760 | 270,649,960 |
| Additions | 4,141,084 | 346,496 | 303,465 | 164,936 | 884,571 | 9,780,542 | 15,621,094 |
| (Disposals) | 0 | 0 | 0 | 0 | 0 | (12,635) | (12,635) |
| Revaluation - Increments | 102,035,756 | 19,677,168 | 5,863,855 | 9,978,811 | 1,309,884 | 6,965,097 | 145,830,571 |
| - (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) | (3,379,541) | (211,176) | (75,396) | (549,133) | (111,977) | (3,776,674) | (8,103,897) |
| Donated Assets | 3,100,074 | 0 | 0 | 2,943,097 | 0 | 2,635,861 | 8,679,032 |
| Other Movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 30 June 2015 | 253,913,312 | 30,376,832 | 8,501,381 | 44,838,496 | 4,765,153 | 90,268,951 | 432,664,125 |

The revaluation of infrastructure assets resulted in an increase on revaluation of \$145,830,572 in the net value of infrastructure. All of this increase was credited to the revaluation surplus in the City's equity (refer Note 14.) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

8. Infrastructure (Continued)

(c) Fair Value Measurements

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

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

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ | | |
|---|-------------------------------|--|-----------------------------|-------------|
| 9. Intangibles | | | | |
| Easements | 0 | 0 | | |
| Accumulated Impairment Costs | 0 | 0 | | |
| | 0 | 0 | | |
| 10. Trade and Other Payables | | | | |
| Current | | | | |
| Sundry Creditors | 3,181,228 | 2,650,089 | | |
| Deposits and Bonds | 2,031,999 | 3,477,832 | | |
| GST Payable | 4,218,076 | 0 | | |
| Accrued Expenses | 448,890 | 367,927 | | |
| | 9,880,193 | 6,495,848 | | |
| 11. Long-Term Borrowings | | | | |
| Current | | | | |
| Secured by Floating Charge | | | | |
| Debentures | 1,823,987 | 764,209 | | |
| | 1,823,987 | 764,209 | | |
| Non-Current | | | | |
| Secured by Floating Charge | | | | |
| Debentures | 28,173,844 | 6,113,148 | | |
| | 28,173,844 | 6,113,148 | | |
| Additional detail on borrowings is provided in Note 23. | | | | |
| 12. Provisions | | | | |
| | Provision for Annual Leave | Provision for Long Service Leave | Provision for Sick Leave | Total |
| | \$ | \$ | \$ | \$ |
| Opening balance at 1 July 2014 | | | | |
| Current | 1,682,928 | 1,437,587 | 137,020 | 3,257,535 |
| Non-Current | 0 | 549,992 | 0 | 549,992 |
| | 1,682,928 | 1,987,579 | 137,020 | 3,807,527 |
| Additional Provisions | 1,636,685 | 749,605 | 6,856 | 2,393,146 |
| Amounts Used | (1,361,483) | (348,995) | 0 | (1,710,478) |
| Balance 30 June 2015 | 1,958,130 | 2,388,189 | 143,876 | 4,490,195 |
| Comprises | | | | |
| Current Provisions | 1,958,130 | 1,722,137 | 143,876 | 3,824,143 |
| Non-current Provisions | 0 | 666,052 | 0 | 666,052 |
| | 1,958,130 | 2,388,189 | 143,876 | 4,490,195 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|----------------------|----------------------|----------------------|
| 13. Reserves – Cash Backed | | | |
| Airport Infrastructure Renewal and Replacement Reserve | | | |
| Opening Balance | 597,302 | 597,302 | 247,141 |
| Amount Set Aside / Transfer to Reserve | 435,877 | 180,228 | 350,161 |
| Amount Used / Transfer from Reserve | (573,894) | (504,745) | 0 |
| | 459,285 | 272,785 | 597,302 |
| Asset Depreciation Reserve | | | |
| Opening Balance | 4,026,327 | 4,026,327 | 4,318,492 |
| Amount Set Aside / Transfer to Reserve | 133,322 | 143,112 | 157,743 |
| Amount Used / Transfer from Reserve | (1,613,625) | (1,473,704) | (449,908) |
| | 2,546,024 | 2,695,735 | 4,026,327 |
| Beach Protection Reserve | | | |
| Opening Balance | 1,324,758 | 1,324,758 | 1,888,001 |
| Amount Set Aside / Transfer to Reserve | 664,546 | 481,599 | 507,175 |
| Amount Used / Transfer from Reserve | (494,967) | (603,000) | (1,070,418) |
| | 1,494,337 | 1,203,357 | 1,324,758 |
| Bio Diversity Reserve | | | |
| Opening Balance | 0 | 0 | 8,610 |
| Amount Set Aside / Transfer to Reserve | 0 | 0 | 209 |
| Amount Used / Transfer from Reserve | 0 | 0 | (8,819) |
| | 0 | 0 | 0 |
| Busselton Town Centre Improvements Reserve | | | |
| Opening Balance | 0 | 0 | 11,696 |
| Amount Set Aside / Transfer to Reserve | 0 | 0 | 301 |
| Amount Used / Transfer from Reserve | 0 | 0 | (11,997) |
| | 0 | 0 | 0 |
| Building Reserve | | | |
| Opening Balance | 1,500,203 | 1,500,203 | 1,341,008 |
| Amount Set Aside / Transfer to Reserve | 562,778 | 553,316 | 561,071 |
| Amount Used / Transfer from Reserve | (653,574) | (793,100) | (401,876) |
| | 1,409,407 | 1,260,419 | 1,500,203 |
| Corporate IT Systems Programme Reserve | | | |
| Opening Balance | 123,846 | 123,846 | 119,254 |
| Amount Set Aside / Transfer to Reserve | 4,413 | 4,404 | 4,592 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 128,259 | 128,250 | 123,846 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|----------------------|----------------------|----------------------|
| 13. Reserves – Cash Backed (Continued) | | | |
| E.D.P. Equipment (Main) Reserve | | | |
| Opening Balance | 0 | 0 | 9,711 |
| Amount Set Aside / Transfer to Reserve | 0 | 0 | 339 |
| Amount Used / Transfer from Reserve | 0 | 0 | (10,050) |
| | 0 | 0 | 0 |
| Jetty Maintenance Reserve | | | |
| Opening Balance | 1,464,952 | 1,464,952 | 1,278,159 |
| Amount Set Aside / Transfer to Reserve | 1,206,346 | 1,192,208 | 1,208,829 |
| Amount Used / Transfer from Reserve | (576,585) | (1,280,082) | (1,022,036) |
| | 2,094,713 | 1,377,078 | 1,464,952 |
| Legal Expenses Reserve | | | |
| Opening Balance | 249,162 | 249,162 | 191,229 |
| Amount Set Aside / Transfer to Reserve | 60,044 | 58,856 | 57,933 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 309,206 | 308,018 | 249,162 |
| Long Service Leave Reserve | | | |
| Opening Balance | 1,987,579 | 1,987,579 | 1,783,825 |
| Amount Set Aside / Transfer to Reserve | 565,453 | 223,744 | 446,021 |
| Amount Used / Transfer from Reserve | (348,995) | (304,196) | (242,267) |
| | 2,204,037 | 1,907,127 | 1,987,579 |
| City Car Parking and Access Reserve | | | |
| Opening Balance | 1,641 | 1,641 | 1,794,444 |
| Amount Set Aside / Transfer to Reserve | 358,723 | 351,222 | 342,798 |
| Amount Used / Transfer from Reserve | (162,249) | (162,249) | (2,135,601) |
| | 198,115 | 190,614 | 1,641 |
| Plant Replacement Reserve | | | |
| Opening Balance | 3,597,284 | 3,597,284 | 3,982,028 |
| Amount Set Aside / Transfer to Reserve | 622,316 | 627,860 | 655,483 |
| Amount Used / Transfer from Reserve | (1,794,545) | (2,033,250) | (1,040,227) |
| | 2,425,055 | 2,191,894 | 3,597,284 |
| Professional Development Reserve | | | |
| Opening Balance | 111,896 | 111,896 | 131,749 |
| Amount Set Aside / Transfer to Reserve | 44,430 | 43,972 | 66,143 |
| Amount Used / Transfer from Reserve | (82,086) | (60,000) | (85,996) |
| | 74,240 | 95,868 | 111,896 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|----------------------|----------------------|----------------------|
| 13. Reserves – Cash Backed (Continued) | | | |
| Road Asset Renewal Reserve | | | |
| Opening Balance | 2,435 | 2,435 | 67,765 |
| Amount Set Aside / Transfer to Reserve | 720,825 | 704,728 | 333,022 |
| Amount Used / Transfer from Reserve | (605,003) | (704,644) | (398,352) |
| | 118,257 | 2,519 | 2,435 |
| Salaries and Wages Contingency Reserve | | | |
| Opening Balance | 0 | 0 | 58,668 |
| Amount Set Aside / Transfer to Reserve | 0 | 0 | 1,508 |
| Amount Used / Transfer from Reserve | 0 | 0 | (60,176) |
| | 0 | 0 | 0 |
| Sick Pay Incentive Reserve | | | |
| Opening Balance | 137,020 | 137,020 | 134,224 |
| Amount Set Aside / Transfer to Reserve | 6,856 | 4,872 | 13,013 |
| Amount Used / Transfer from Reserve | 0 | 0 | (10,217) |
| | 143,876 | 141,892 | 137,020 |
| Strategic Projects Reserve | | | |
| Opening Balance | 245,558 | 245,558 | 235,123 |
| Amount Set Aside / Transfer to Reserve | 29,078 | 28,724 | 34,659 |
| Amount Used / Transfer from Reserve | (88,642) | (100,000) | (24,224) |
| | 185,994 | 174,282 | 245,558 |
| Waste Management Facility and Plant Reserve | | | |
| Opening Balance | 5,824,494 | 5,824,494 | 3,143,189 |
| Amount Set Aside / Transfer to Reserve | 2,909,107 | 2,047,024 | 3,032,533 |
| Amount Used / Transfer from Reserve | (599,172) | (3,479,641) | (351,228) |
| | 8,134,429 | 4,391,877 | 5,824,494 |
| Port Geographe Development Reserve (Council) | | | |
| Opening Balance | 567,296 | 567,296 | 506,854 |
| Amount Set Aside / Transfer to Reserve | 20,175 | 20,160 | 71,986 |
| Amount Used / Transfer from Reserve | (18,101) | (27,812) | (11,544) |
| | 569,370 | 559,644 | 567,296 |
| Port Geographe Waterways Management Reserve | | | |
| Opening Balance | 3,295,493 | 3,295,493 | 3,021,602 |
| Amount Set Aside / Transfer to Reserve | 269,690 | 275,933 | 273,891 |
| Amount Used / Transfer from Reserve | (300,000) | (300,000) | 0 |
| | 3,265,183 | 3,271,426 | 3,295,493 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|--|----------------------|----------------------|----------------------|
| 13. Reserves – Cash Backed (Continued) | | | |
| Workers Compensation Contingency Reserve | | | |
| Opening Balance | 256,150 | 256,150 | 247,417 |
| Amount Set Aside / Transfer to Reserve | 9,128 | 9,108 | 8,733 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 265,278 | 265,258 | 256,150 |
| Youth Facilities Reserve | | | |
| Opening Balance | 0 | 0 | 34,409 |
| Amount Set Aside / Transfer to Reserve | 0 | 0 | 885 |
| Amount Used / Transfer from Reserve | 0 | 0 | (35,294) |
| | 0 | 0 | 0 |
| Provence Landscape Maintenance Reserve | | | |
| Opening Balance | 533,687 | 533,687 | 417,255 |
| Amount Set Aside / Transfer to Reserve | 143,078 | 123,077 | 116,432 |
| Amount Used / Transfer from Reserve | 0 | (115,950) | 0 |
| | 676,765 | 540,814 | 533,687 |
| Infrastructure Development Reserve | | | |
| Opening Balance | 1,778,228 | 1,778,228 | 2,016,574 |
| Amount Set Aside / Transfer to Reserve | 775,704 | 544,362 | 136,654 |
| Amount Used / Transfer from Reserve | (242,119) | (1,693,782) | (375,000) |
| | 2,311,813 | 628,808 | 1,778,228 |
| Vasse Newtown Landscape Maintenance Reserve | | | |
| Opening Balance | 358,408 | 358,408 | 221,550 |
| Amount Set Aside / Transfer to Reserve | 158,812 | 146,334 | 136,858 |
| Amount Used / Transfer from Reserve | (110,298) | (123,200) | 0 |
| | 406,922 | 381,542 | 358,408 |
| Untied Grants Reserve | | | |
| Opening Balance | 0 | 0 | 1,108,231 |
| Amount Set Aside / Transfer to Reserve | 1,109,692 | 0 | 0 |
| Amount Used / Transfer from Reserve | 0 | 0 | (1,108,231) |
| | 1,109,692 | 0 | 0 |
| Locke Estate Reserve | | | |
| Opening Balance | 114,516 | 114,516 | 56,000 |
| Amount Set Aside / Transfer to Reserve | 64,406 | 64,068 | 58,516 |
| Amount Used / Transfer from Reserve | (178,922) | 0 | 0 |
| | 0 | 178,584 | 114,516 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|----------------------|----------------------|----------------------|
| 13. Reserves – Cash Backed (Continued) | | | |
| Busselton Community Resource Centre Reserve | | | |
| Opening Balance | 36,750 | 36,750 | 12,664 |
| Amount Set Aside / Transfer to Reserve | 26,763 | 25,859 | 24,086 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 63,513 | 62,609 | 36,750 |
| CBD Enhancement | | | |
| Opening Balance | 0 | 0 | 0 |
| Amount Set Aside / Transfer to Reserve | 14,490 | 12,500 | 0 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 14,490 | 12,500 | 0 |
| Election, Valuation and Corporate Expenses Reserve | | | |
| Opening Balance | 0 | 0 | 0 |
| Amount Set Aside / Transfer to Reserve | 35,799 | 35,000 | 0 |
| Amount Used / Transfer from Reserve | 0 | 0 | 0 |
| | 35,799 | 35,000 | 0 |
| Civic and Administration Centre Construction Reserve | | | |
| Opening Balance | 0 | 0 | 0 |
| Amount Set Aside / Transfer to Reserve | 18,501,924 | 18,540,000 | 0 |
| Amount Used / Transfer from Reserve | 0 | (540,000) | 0 |
| | 18,501,924 | 18,000,000 | 0 |
| Total Reserves | 49,145,982 | 40,277,900 | 28,134,985 |
| Summary of Cash / Investment Backed Reserves | | | |
| Opening Balance | 28,134,985 | 28,134,985 | 28,386,872 |
| Amount Set Aside / Transfer to Reserve | 29,453,774 | 26,442,270 | 8,601,574 |
| Amount Used / Transfer from Reserve | (8,442,777) | (14,299,355) | (8,853,461) |
| | 49,145,982 | 40,277,900 | 28,134,985 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

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

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

Airport Infrastructure Renewal and Replacement Reserve

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

Assets Depreciation Reserve

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

Beach Protection Reserve

To cover repairs or preventative measures necessary to protect the beach or land based assets, as well as specific capital projects designed to protect the shoreline, e.g. construction of a sea wall.

Bio-Diversity Reserve

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

Busselton Town Centre Improvements Reserve

To provide for accelerated town centre improvement works and for town centre promotions within Busselton.

Buildings Reserve

Building requirements which need to be “saved” for but are not considered to be large project items requiring their own reserve fund or loan funding.

Corporate IT Systems Programme

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

E.D.P. Equipment (Main) Reserve

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

Jetty Maintenance Reserve

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

Legal Expenses Reserve

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

Long Service Leave Reserve

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

City Car Parking and Access Reserve

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

Plant Replacement Reserve

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

Professional Development Reserve

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

Road Asset Renewal Reserve

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

Salaries & Wages Contingency Reserve

To provide funding for redundancy and restructure costs.

Sick Pay Incentive Reserve

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

Strategic Projects Reserve

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

Waste Management Facility and Plant Reserve

To fund the acquisition of additional waste plant, waste facility infrastructure, waste related consultancy services and post closure management.

Port Geographe Development Reserve

To provide for costs associated with the Port Geographe development

Port Geographe Waterways Management Reserve

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

Workers Compensation Contingency Reserve

A contingency fund to assist Council in meeting its Workers Compensation Contribution obligations when claim costs exceed the "Deposit" amount allocated to claims. This is a requirement under Councils current Workers Compensation "performance based contributions policy".

Youth Facilities Reserve

To assist with the capital cost of acquiring and or constructing youth facilities within the Busselton area.

Provence Landscape Maintenance Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping within the Provence subdivision in accordance with Policy 185/3 including future capital replacement of landscaping structures as may be required.

Infrastructure Development Reserve

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

Vasse Newtown Landscape Maintenance Reserve

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

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

13. Reserves – Cash Backed (Continued)

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.

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.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

14. Revaluation Surplus

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

| | 2015 Actual \$ | 2014 Actual \$ |
|---|-------------------------------|-------------------------------|
| Land and Buildings | | |
| Opening Balance | 44,100,475 | 0 |
| Revaluation Increment | 0 | 54,414,058 |
| Revaluation Decrement | 0 | (10,313,583) |
| | <u>44,100,475</u> | <u>44,100,475</u> |
| Furniture & Fittings | | |
| Opening Balance | 196,941 | 196,941 |
| Revaluation Increment | 0 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>196,941</u> | <u>196,941</u> |
| Roads | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 102,035,756 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>102,035,756</u> | <u>0</u> |
| Bridges | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 19,677,168 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>19,677,168</u> | <u>0</u> |
| Car Parks | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 5,863,855 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>5,863,855</u> | <u>0</u> |
| Drainage | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 9,978,811 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>9,978,811</u> | <u>0</u> |
| Regional Airport and Industrial Park | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 1,309,884 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>1,309,884</u> | <u>0</u> |
| Other Infrastructure | | |
| Opening Balance | 0 | 0 |
| Revaluation Increment | 6,965,097 | 0 |
| Revaluation Decrement | 0 | 0 |
| | <u>6,965,097</u> | <u>0</u> |
| Total Assets Revaluation Surplus | <u><u>190,127,987</u></u> | <u><u>44,297,416</u></u> |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

15. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---------------------------|----------------------|----------------------|----------------------|
| Cash and Cash Equivalents | 119,604,734 | 54,912,308 | 45,748,580 |

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

| | | | |
|--|-------------------|-------------------|-------------------|
| Net Result | 64,893,964 | 15,025,490 | 25,301,173 |
| Depreciation | 12,088,317 | 10,002,780 | 10,128,224 |
| (Profit) / Loss on Sale of Asset | 125,932 | 54,591 | 196,061 |
| (Increase) / Decrease in Receivables | 1,594,426 | 500,000 | 788,896 |
| (Increase) / Decrease in Inventories | 5,432 | (14,298) | 97,799 |
| Increase / (Decrease) in Payables | 2,842,828 | 99,183 | 332,523 |
| Increase / (Decrease) in Employee Provisions | 682,668 | (33,136) | 243,766 |
| Less : Non-Cash Contributions | (8,834,492) | (1,220,000) | (15,358,278) |
| Grants/Contributions for the Development of Assets | (53,071,923) | (13,090,883) | (7,810,128) |
| Non-Current Assets Fair Value Adjustment | 0 | 0 | 0 |
| Net Cash from Operating Activities | 20,327,152 | 11,323,727 | 13,920,036 |

(c) Undrawn Borrowing Facilities Credit Standby Arrangements

| | 2015 Actual \$ | 2014 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 | 1,823,987 | 764,209 |
| Loan Facilities – Non-Current | 28,173,844 | 6,113,148 |
| Total Facilities in Use at Balance Date | 29,997,831 | 6,877,357 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

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

(e) Non-Cash Contributions

| | | |
|---|------------------|-------------------|
| Acquired by Council at Valuation – Furniture and Fittings | 2,500 | 0 |
| Acquired by Council at Valuation – Plant and Equipment | 152,960 | 1,452,289 |
| Developers and Acquired by Council at Valuation - Roads | 3,100,074 | 4,830,252 |
| Developers and Acquired by Council at Valuation - Bridges | 0 | 1,772,268 |
| Developers and Acquired by Council at Valuation - Footpaths | 1,161,855 | 1,186,880 |
| Developers and Acquired by Council at Valuation – Parks & Gardens | 1,474,006 | 3,399,367 |
| Developers and Acquired by Council at Valuation - Drains | 2,943,097 | 2,717,222 |
| | <u>8,834,492</u> | <u>15,358,278</u> |

16. Contingent Liabilities

16.1 Resident funded aged persons homes

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

16.2 Buy Back Conditions contained in City Lease Agreements

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

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

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

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

City of Busselton

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For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

16. Contingent Liabilities (Continued)

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

PJ and LJ Grocock is claiming compensation from the City of Busselton for injurious affection suffered by reason of the making of District Town Planning Scheme No 20 insofar as it imposed a reservation over Lot 49 Stanley Street, Busselton (of which they are the registered proprietors). Should the parties fail to achieve a negotiated outcome in relation to the claim for compensation, the amount and manner of payment of compensation is to be determined by arbitration in accordance with the Commercial Arbitration Act 2012. Due to complex legal and planning issues impacting on the matter, it is not reasonably possible to determine Council's potential liability (if any) at this stage.

17. Capital and Leasing Commitments

| | 2015 Actual \$ | 2014 Actual \$ |
|--|----------------------|----------------------|
| (a) Operating Lease Commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the accounts. | | |
| Payable: | | |
| - not later than one year | 373,957 | 407,279 |
| - later than one year but not later than five years | 558,383 | 615,192 |
| - later than five years | 0 | 0 |
| | 932,340 | 1,022,471 |

17. Capital and Leasing Commitments

(b) Capital Expenditure Commitments

| | 2015 Actual \$ | 2014 Actual \$ |
|---|----------------------|----------------------|
| Contracted for: | | |
| <u>Capital projects</u> | | |
| - Jetty Construction | 0 | 760,579 |
| - Busselton Community Resource Centre | 0 | 0 |
| Payable: | | |
| - not later than one year, Jetty Construction | 0 | 0 |
| - later than one year but not later than five years | 0 | 0 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

18. Joint Ventures

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

| | 2015 Actual \$ | 2014 Actual \$ |
|---|----------------------|----------------------|
| 19. Total Assets Classified by Function and Activity | | |
| General Purpose Funding | 3,886,448 | 3,448,629 |
| Governance | 18,937,744 | 1,499,546 |
| Law, Order & Public Safety | 3,309,985 | 3,625,611 |
| Health | 167,474 | 171,658 |
| Education and Welfare | 511,908 | 539,000 |
| Housing | 15,224,617 | 15,941,639 |
| Community Amenities | 19,040,179 | 16,938,670 |
| Recreation and Culture | 91,081,346 | 93,746,350 |
| Transport | 436,257,676 | 224,081,181 |
| Economic Services | 2,731,424 | 2,841,060 |
| Other Property and Services | 4,587,732 | 4,914,227 |
| Unallocated | 55,671,640 | 45,748,580 |
| | <u>651,408,173</u> | <u>413,496,151</u> |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

20. Financial Ratios

| | 2015 Actual | 2014 Actual | 2013 Actual |
|-----------------------------------|----------------|----------------|----------------|
| Current Ratio | 0.779 | 0.857 | 0.951 |
| Asset Sustainability Ratio | 1.068 | 1.610 | 1.815 |
| Debt Service Coverage Ratio | 6.588 | 12.803 | 8.892 |
| Operating Surplus Ratio | 0.056 | 0.045 | 0.016 |
| Own Source Revenue Coverage Ratio | 0.964 | 0.973 | 0.924 |

The above ratios are calculated as follows:

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

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

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

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

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

Notes: Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at the supplementary ratio information on page 70 of this document.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

21. Trust Funds

| | Balance 01-July-14 \$ | Amounts Received \$ | Amounts Paid \$ | Balance 30-June-15 \$ |
|------------------------------------|-----------------------------|---------------------------|-----------------------|-----------------------------|
| Builders Registration Board Levies | 24,080 | 285,464 | (296,439) | 13,105 |
| Building Training Levy | 0 | 308,950 | (305,430) | 3,520 |
| Community Appeals | 1,000 | 0 | 0 | 1,000 |
| Nomination Deposits | 0 | 0 | 0 | 0 |
| Cash in Lieu of P.O.S. | 1,757,532 | 63,435 | 0 | 1,820,967 |
| Sundry Other Trusts | 1,950 | 23,193 | (550) | 24,593 |
| | 1,784,562 | 681,042 | (602,419) | 1,863,185 |

22. Disposals of Assets – 2014/15 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 | 121,472 | 83,000 | 76,402 | 72,500 | (45,070) | (10,500) |
| Law, Order, Public Safety | 106,208 | 47,600 | 99,120 | 40,000 | (7,088) | (7,600) |
| Health | 18,000 | 18,000 | 17,232 | 17,000 | (768) | (1,000) |
| Education and Welfare | 0 | 0 | 0 | 0 | 0 | 0 |
| Housing | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Amenities | 245,715 | 221,728 | 263,654 | 214,000 | 17,939 | (7,728) |
| Recreation and Culture | 162,579 | 179,034 | 141,381 | 170,550 | (21,198) | (8,484) |
| Transport | 388,573 | 334,079 | 319,760 | 313,900 | (68,813) | (20,179) |
| Economic Services | 21,341 | 21,000 | 19,278 | 20,000 | (2,063) | (1,000) |
| Other Property & Services | 18,000 | 18,000 | 19,129 | 19,900 | 1,129 | 1,900 |
| | 1,081,888 | 922,441 | 955,956 | 867,850 | (125,932) | (54,591) |

By Asset Class:-

| | Net Book Value | | Sale Price | | Profit / (Loss) | |
|------------------------|----------------|--------------|--------------|--------------|-----------------|--------------|
| | Actual \$ | Budget \$ | Actual \$ | Budget \$ | Actual \$ | Budget \$ |
| Land and Buildings | 667 | 0 | 0 | 0 | (667) | 0 |
| Plant and Equipment | 1,045,003 | 922,441 | 951,342 | 867,850 | (93,661) | (54,591) |
| Furniture and Fittings | 23,582 | 0 | 4,614 | 0 | (18,968) | 0 |
| Infrastructure | 12,636 | 0 | 0 | 0 | (12,636) | 0 |
| | 1,081,888 | 922,441 | 955,956 | 867,850 | (125,932) | (54,591) |

City of Busselton

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For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

23. Information on Borrowings

(a) Debenture Repayments

| Particulars | Borrowing Institution | Int. Rate % | Maturity Date | Principal | New Loans | New Loans | Principal Repayment | | Principal | | Interest Repayment | | |
|---|--|-------------|---------------|-------------|------------------|-------------------|---------------------|------------------|------------------|-------------------|--------------------|------------------|------------------|
| | | | | 1 July 2014 | 2014/15 Budget | 2014/15 Actual | 2014/15 Budget | 2014/15 Actual | 2014/15 Budget | 2014/15 Actual | 2014/15 Budget | 2014/15 Actual | |
| Administration | | | | | | | | | | | | | |
| C | Loan #207 Civic and Administration Centre | WATC | 4.51 | 06/34 | 0 | 18,000,000 | 18,000,000 | 524,301 | 644,620 | 17,475,699 | 17,355,380 | 934,790 | 720,244 |
| Recreation & Culture | | | | | | | | | | | | | |
| S | Loan #192 Busselton Tennis Club | WATC | 5.74 | 12/19 | 35,204 | 0 | 0 | 5,608 | 5,608 | 29,596 | 29,596 | 1,901 | 1,901 |
| S | Loan #195 Dunsborough District Country Club | WATC | 6.79 | 06/17 | 111,049 | 0 | 0 | 34,554 | 34,554 | 76,495 | 76,495 | 6,673 | 6,673 |
| S | Loan #196 Dunsborough Bay Yacht Club | WATC | 6.16 | 12/19 | 15,568 | 0 | 0 | 2,456 | 2,456 | 13,112 | 13,112 | 903 | 903 |
| C | Loan #197 Dunsborough Oval | WATC | 6.05 | 03/20 | 1,024,290 | 0 | 0 | 153,720 | 153,720 | 870,570 | 870,570 | 58,526 | 58,526 |
| C | Loan #198 Jetty Construction | WATC | 6.05 | 03/20 | 1,344,378 | 0 | 0 | 201,756 | 201,756 | 1,142,622 | 1,142,622 | 76,815 | 76,815 |
| S | Loan #199 Busselton Bowling Club | WATC | 5.98 | 12/20 | 110,652 | 0 | 0 | 14,372 | 14,372 | 96,280 | 96,280 | 6,299 | 6,299 |
| S | Loan #200 Dunsborough Bay Yacht Club | WATC | 6.00 | 12/19 | 10,032 | 0 | 0 | 1,588 | 1,588 | 8,444 | 8,444 | 567 | 567 |
| C | Loan #202 Geothermal Heating GLC | WATC | 3.98 | 06/23 | 489,714 | 0 | 0 | 46,199 | 46,199 | 443,515 | 443,515 | 18,807 | 18,807 |
| C | Loan #205 GLC Extensions | WATC | 3.92 | 06/24 | 1,200,000 | 0 | 0 | 96,063 | 96,063 | 1,103,937 | 1,103,937 | 50,098 | 50,098 |
| C | Loan #204 Busselton Foreshore | WATC | 4.36 | 06/29 | 1,100,000 | 0 | 0 | 48,979 | 48,979 | 1,051,021 | 1,051,021 | 51,719 | 51,718 |
| S | Loan# 208 Busselton Football & Sportsman's Club | WATC | 2.93 | 04/25 | 0 | 30,000 | 30,000 | 1,814 | 699 | 28,186 | 29,302 | 992 | 150 |
| C | Loan# 209 Busselton Foreshore | WATC | 3.56 | 06/27 | 0 | 6,800,000 | 6,500,000 | 154,503 | 0 | 6,645,497 | 6,500,000 | 169,040 | 0 |
| Transport | | | | | | | | | | | | | |
| C | Loan #206 Airport Jet A1 Installation | WATC | 3.92 | 06/24 | 350,000 | 0 | 0 | 28,019 | 28,018 | 321,981 | 321,982 | 14,613 | 14,612 |
| C | Loan #203 Land Acquisition for Parking | WATC | 4.19 | 09/21 | 1,009,919 | 0 | 0 | 121,831 | 121,831 | 888,088 | 888,088 | 40,418 | 40,418 |
| Economic Services | | | | | | | | | | | | | |
| S | Loan #201 Geographe Bay Tourism Association | WATC | 4.76 | 09/21 | 76,551 | 0 | 0 | 9,064 | 9,064 | 67,487 | 67,487 | 3,483 | 3,483 |
| Total - Council and Self-supporting Loans | | | | | 6,877,357 | 24,830,000 | 24,530,000 | 1,444,827 | 1,409,527 | 30,262,530 | 29,997,831 | 1,435,644 | 1,051,214 |
| C | Council Loans are financed by general purpose income. | | | | 6,518,301 | 24,800,000 | 24,500,000 | 1,375,371 | 1,341,187 | 29,942,930 | 29,677,115 | 1,414,825 | 1,031,238 |
| S | Self-Supporting Loans are financed by payments from third parties. | | | | 359,056 | 30,000 | 30,000 | 69,456 | 68,340 | 319,600 | 320,716 | 20,819 | 19,976 |
| | | | | | 6,877,357 | 24,830,000 | 24,530,000 | 1,444,827 | 1,409,527 | 30,262,530 | 29,997,831 | 1,435,644 | 1,051,214 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

23. Information on Borrowings (continued)

(b) New Debentures – 2014/15

| Particulars / Purpose | Amount Borrowed | | Institution | Loan Type | Term (Years) | Total Interest & Charges | Interest Rate % | Amount Used | | Balance Unspent |
|--|-------------------|-------------------|-------------------------|-----------|--------------|--------------------------|-----------------|------------------|-------------------|-------------------|
| | Actual \$ | Budget \$ | | | | | | Actual \$ | Budget \$ | |
| Loan # Loan #207 Civic and Administration Centre | 18,000,000 | 18,000,000 | WA Treasury Corporation | Debenture | 20 | 9,503,430 | 4.51% | 0 | 18,000,000 | 18,000,000 |
| Loan# 208 Busselton Football & Sportsman's Club | 30,000 | 30,000 | WA Treasury Corporation | Debenture | 10 | 4,916 | 2.93% | 30,000 | 30,000 | 0 |
| Loan# 209 Busselton Foreshore | 6,500,000 | 6,800,000 | WA Treasury Corporation | Debenture | 12 | 1,596,306 | 3.56% | 2,736,727 | 6,800,000 | 3,763,273 |
| | 24,530,000 | 24,830,000 | | | | 11,104,652 | | 2,766,727 | 24,830,000 | 21,763,273 |

(c) Unspent Debentures

| Particulars / Purpose | Date Borrowed | Balance 01-July-14 \$ | Borrowed During Year \$ | Expended During Year \$ | Balance 30-June-15 \$ |
|---|---------------------------|-----------------------|-------------------------|-------------------------|-----------------------|
| Loan #206 Airport Jet A1 Installation | 27 th May 2014 | 350,000 | 0 | 0 | 350,000 |
| Loan #207 Civic and Administration Centre | 5 th Aug 2015 | 0 | 18,000,000 | 0 | 18,000,000 |
| Loan# 209 Busselton Foreshore | 13 th May 2015 | 0 | 6,500,000 | 2,736,727 | 3,763,273 |
| | | 350,000 | 24,500,000 | 2,736,727 | 22,113,273 |

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2014/15. The balance of actual bank overdraft as at 1 July 2014 and 30 June 2015 was Nil.

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

24. Rating Information – 2014/15 Financial Year
(a) Rates

| Rate Type | Rate in | Number of Properties | Rateable Value | Rate Revenue | Interim Rates | Total Revenue | Budget Rate Revenue | Budget Interim Rate | Budget Total Revenue |
|--|-----------|----------------------|----------------|--------------|---------------|-------------------|---------------------|---------------------|----------------------|
| | \$ | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Differential General Rate | | | | | | | | | |
| GRV–Residential | 0.089174 | 12,411 | 196,768,786 | 17,546,600 | 0 | 17,546,600 | 17,546,600 | 0 | 17,546,600 |
| GRV–Industrial | 0.099795 | 326 | 14,934,347 | 1,490,371 | 0 | 1,490,371 | 1,490,371 | 0 | 1,490,371 |
| GRV–Commercial | 0.099795 | 1,210 | 51,796,624 | 5,169,038 | 0 | 5,169,038 | 5,169,038 | 0 | 5,169,038 |
| GRV–Residential Vacant Land | 0.089174 | 473 | 11,891,310 | 1,060,393 | 0 | 1,060,393 | 1,060,393 | 0 | 1,060,393 |
| GRV–Industrial Vacant Land | 0.094828 | 76 | 1,740,809 | 165,077 | 0 | 165,077 | 165,077 | 0 | 165,077 |
| GRV–Commercial Vacant Land | 0.094828 | 40 | 2,175,590 | 206,307 | 0 | 206,307 | 206,307 | 0 | 206,307 |
| UV-Primary Production | 0.003608 | 881 | 642,454,000 | 2,317,971 | 0 | 2,317,971 | 2,317,971 | 0 | 2,317,971 |
| UV-Rural | 0.003341 | 1,566 | 748,071,000 | 2,499,298 | 0 | 2,499,298 | 2,499,298 | 0 | 2,499,298 |
| UV-Commercial | 0.006569 | 128 | 81,579,000 | 535,892 | 0 | 535,892 | 535,892 | 0 | 535,892 |
| Interim Rates | | | | | 648,639 | 648,639 | 0 | 148,630 | 148,630 |
| Sub-Totals | | 17,111 | 1,751,411,466 | 30,990,947 | 648,639 | 31,639,586 | 30,990,947 | 148,630 | 31,139,577 |
| Minimum | \$ | | | | | | | | |
| Minimum Differential General Rate | | | | | | | | | |
| GRV–Residential | 1,010 | 986 | 10,261,362 | 995,860 | 0 | 995,860 | 995,860 | 0 | 995,860 |
| GRV–Industrial | 1,010 | 20 | 174,351 | 20,200 | 0 | 20,200 | 20,200 | 0 | 20,200 |
| GRV–Commercial | 1,010 | 556 | 3,472,456 | 561,560 | 0 | 561,560 | 561,560 | 0 | 561,560 |
| GRV–Residential Vacant Land | 1,010 | 1,256 | 7,640,200 | 1,268,560 | 0 | 1,268,560 | 1,268,560 | 0 | 1,268,560 |
| GRV–Industrial Vacant Land | 1,010 | 19 | 166,300 | 19,190 | 0 | 19,190 | 19,190 | 0 | 19,190 |
| GRV–Commercial Vacant Land | 1,010 | 67 | 367,560 | 67,670 | 0 | 67,670 | 67,670 | 0 | 67,670 |
| UV-Primary Production | 1,010 | 193 | 39,784,000 | 194,930 | 0 | 194,930 | 194,930 | 0 | 194,930 |
| UV-Rural | 1,010 | 1,087 | 207,400,500 | 1,097,870 | 0 | 1,097,870 | 1,097,870 | 0 | 1,097,870 |
| UV-Commercial | 1,010 | 97 | 3,982,108 | 97,970 | 0 | 97,970 | 97,970 | 0 | 97,970 |
| Sub-Totals | | 4,281 | 273,248,837 | 4,323,810 | 0 | 4,323,810 | 4,323,810 | 0 | 4,323,810 |
| Back Rates / Prior Period Adj. (refer note 27) | | | | | | 58,991 | | | 97,590 |
| Total Amount Raised from General Rates | | | | | | 36,022,387 | | | 35,560,977 |
| Specified Area Rate (refer note 25) | | | | | | 413,044 | | | 396,496 |
| Totals | | | | | | 36,435,431 | | | 35,957,473 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

24. Rating Information – 2014/15 Financial Year (Continued)

(b) Information on Surplus / Deficit Brought Forward

| | <u>2015</u> 30 June 2014 C/FWD \$ | <u>2015</u> 1 July 2013 B/FWD \$ | <u>2014</u> 30 June 2013 C/FWD \$ |
|---------------------------------------|---|--|---|
| Surplus / (Deficit) | 756,540 | 1,393,215 | 1,393,215 |
| <u>Comprises:</u> | | | |
| Cash - Unrestricted | 6,323,600 | 896,960 | 896,960 |
| Cash - Restricted | 113,281,134 | 44,851,620 | 44,851,620 |
| Sundry Debtors | 1,814,960 | 2,000,773 | 2,000,773 |
| Rates Debtors | 445,904 | 1,487,797 | 1,487,797 |
| Inventories | 20,270 | 25,702 | 25,702 |
| | 121,885,868 | 49,262,852 | 49,262,852 |
| <u>Less:</u> | | | |
| Sundry Creditors | (7,399,304) | (2,650,090) | (2,650,090) |
| Sundry Creditors – Deposits and Bonds | (2,031,999) | (3,477,832) | (3,477,832) |
| Accrued Expenses | (448,890) | (367,927) | (367,927) |
| | (9,880,193) | (6,495,849) | (6,495,849) |
| | 112,005,675 | 42,767,003 | 42,767,003 |
| Add Current Liabilities Cash Backed | 2,031,999 | 3,477,832 | 3,477,832 |
| Less Restricted Cash | (113,281,134) | (44,851,620) | (44,851,620) |
| Surplus / (Deficit) | 756,540 | 1,393,215 | 1,393,215 |

Difference:

There was no difference between the Surplus 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus Carried Forward position as disclosed in the 2014 audited financial report.

City of Busselton

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Notes to and Forming Part of the Financial Report

25. Specified Area Rate - 2014/15 Financial Year

| | Rate in \$ | Basis of Rate | Rateable Value \$ | Rate Revenue \$ | Budget Rate Revenue \$ | Applied to Costs \$ | Budget Applied to Costs \$ |
|-----------------------|---------------|------------------|-------------------------|-----------------------|---------------------------------|---------------------------|-------------------------------------|
| Port Geographe | | | | | | | |
| • Rate | 0.01494 | GRV | 10,630,930 | 158,801 | 158,801 | 158,801 | 158,801 |
| • Interim Rate | | | | (10,249) | 0 | (10,249) | 0 |
| • Back Rate | | | | 0 | 0 | 0 | 0 |
| | | | | 148,552 | 158,801 | 148,552 | 158,801 |

| | Rate in \$ | Basis of Rate | Rateable Value \$ | Rate Revenue \$ | Budget Rate Revenue \$ | Applied to Costs \$ | Budget Applied to Costs \$ |
|-----------------|---------------|------------------|-------------------------|-----------------------|---------------------------------|---------------------------|-------------------------------------|
| Provence | | | | | | | |
| • Rate | 0.01373 | GRV | 7,422,630 | 101,950 | 101,950 | 101,950 | 101,950 |
| • Rate | 0.00013 | UV | 17,239,000 | 2,155 | 2,155 | 2,155 | 2,155 |
| • Interim Rate | | | | 17,499 | 0 | 17,499 | 0 |
| • Back Rate | | | | 0 | 0 | 0 | 0 |
| | | | | 121,604 | 104,105 | 121,604 | 104,105 |

| | Rate in \$ | Basis of Rate | Rateable Value \$ | Rate Revenue \$ | Budget Rate Revenue \$ | Applied to Costs \$ | Budget Applied to Costs \$ |
|----------------|---------------|------------------|-------------------------|-----------------------|---------------------------------|---------------------------|-------------------------------------|
| Vasse | | | | | | | |
| • Rate | 0.01797 | GRV | 7,432,410 | 133,590 | 133,590 | 133,590 | 133,590 |
| • Interim Rate | | | | 9,298 | 0 | 9,298 | 0 |
| • Back Rate | | | | 0 | 0 | 0 | 0 |
| | | | | 142,888 | 133,590 | 142,888 | 133,590 |

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

26. Service Charges – 2014/15 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

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For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

27. Discounts, Incentives, Concessions & Write-offs – 2014/15 Financial Year

| | Type | Discount % | Total Cost / Value \$ | Budget Cost / Value \$ |
|--|------------|------------|-----------------------|------------------------|
| Back Rates Levied / Prior Period Adjustments | Adjustment | 0 | 58,991 | 97,590 |
| Write-offs | Write-off | 0 | 0 | 0 |
| | | 0 | 0 | 0 |

28. Interest Charges and Instalments – 2014/15 Financial Year

| | Interest Rate % | Admin. Charge \$ | Revenue \$ | Budgeted Revenue \$ |
|------------------------------|-----------------|------------------|------------|---------------------|
| Interest on Unpaid Rates | 11.00% | 0.00 | 170,755 | 180,000 |
| Interest on Instalments Plan | 5.50% | 0.00 | 190,979 | 182,190 |
| Charges on Instalment Plan | 0.00% | 4.00 | 93,044 | 93,760 |
| | | | 454,778 | 455,950 |

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 26th September 2014 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 26th September 2014 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 26th September 2014
- 2nd Instalment 28th November 2014
- 3rd Instalment 28th January 2015
- 4th Instalment 30th March 2015

City of Busselton

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For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|-------------------------------|----------------------|----------------------|
| 29. Fees & Charges | | |
| General Purpose Funding | 108,854 | 107,123 |
| Governance | 10,665 | 1,307 |
| Law, Order & Public Safety | 221,786 | 187,799 |
| Health | 361,615 | 321,275 |
| Education and Welfare | 155 | 151 |
| Housing | 428,201 | 390,340 |
| Community Amenities | 7,975,361 | 7,337,539 |
| Recreation and Culture | 2,187,769 | 2,134,866 |
| Transport | 1,180,658 | 1,218,255 |
| Economic Services | 1,949,296 | 1,829,172 |
| Other Property and Services | 153,524 | 62,274 |
| | 14,577,884 | 13,590,101 |

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

| | 2015 Actual \$ | 2014 Actual \$ |
|---|----------------------|----------------------|
| 30. 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 | 5,725,267 | 4,741,717 |
| Non- Operating Grants, Subsidies and Contributions | 61,822,972 | 22,979,810 |
| | 67,548,239 | 27,721,527 |
| By Program: | | |
| General Purpose Funding | 3,250,505 | 1,302,731 |
| Governance | 142,317 | 237,748 |
| Law, Order & Public Safety | 456,569 | 1,701,437 |
| Health | 26,610 | 72,764 |
| Education and Welfare | 6,071 | 5,667 |
| Housing | 4,569 | 3,646 |
| Community Amenities | 573,406 | 879,695 |
| Recreation and Culture | 6,103,446 | 8,451,474 |
| Transport | 56,600,861 | 14,749,463 |
| Economic Services | 84,182 | 52,699 |
| Other Property and Services | 299,703 | 264,203 |
| | 67,548,239 | 27,721,527 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

| | 2015 Actual \$ | 2014 Actual \$ |
|--|-------------------------------|-------------------------------|
| 30. Grant Revenue (Continued) | | |
| (b) Reimbursements, Recoveries and Donations included above | | |
| By Program: | | |
| General Purpose Funding | 17,993 | 32,265 |
| Governance | 132,317 | 163,135 |
| Law, Order & Public Safety | 266,837 | 262,468 |
| Health | 11,723 | 894 |
| Education and Welfare | 6,071 | 5,668 |
| Housing | 4,569 | 3,646 |
| Community Amenities | 56,922 | 11,088 |
| Recreation and Culture | 154,958 | 151,229 |
| Transport | 110,237 | 831,660 |
| Economic Services | 76,644 | 4,205 |
| Other Property and Services | 261,535 | 220,560 |
| | 1,099,806 | 1,686,818 |
| | 1,099,806 | 1,686,818 |
| | 2015 Actual \$ | 2015 Budget \$ |
| | 2014 Actual \$ | |

31. Councillors Remuneration

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

| | 2015 Actual \$ | 2015 Budget \$ | 2014 Actual \$ |
|---|----------------------|----------------------|----------------------|
| Mayor & Deputy Allowance | 77,250 | 77,500 | 75,000 |
| Councillors Sitting Fees | 211,665 | 212,000 | 205,882 |
| Travelling Allowance - Councillors Meetings | 18,264 | 13,025 | 14,622 |
| Communication Allowance | 31,500 | 31,500 | 31,223 |
| Other Allowance | 5,578 | 9,000 | 3,952 |
| | 344,257 | 343,025 | 330,679 |

32. Post Balance Date Events

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

33. Employee Numbers

The number of full-time equivalent employees at balance date

| | 2015 | 2014 |
|--|------|------|
| | 289 | 278 |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

34. Major Land Transactions

Council did not participate in any major land transactions during the 2014/15 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 2014/15 financial year.

36. Financial Risk Management

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

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

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

The City held the following financial instruments at balance date:

| | Carrying Value | | Fair Value | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalents | 119,604,734 | 45,748,581 | 119,604,734 | 45,748,581 |
| Receivables | 3,078,740 | 4,213,692 | 3,078,740 | 4,213,692 |
| Financial assets at fair value through profit or loss | 0 | 0 | 0 | 0 |
| | <u>122,683,474</u> | <u>49,962,273</u> | <u>122,683,474</u> | <u>49,962,273</u> |
| Financial Liabilities | | | | |
| Payables | 7,848,194 | 3,018,016 | 7,848,194 | 3,018,016 |
| Borrowings | 29,997,831 | 6,877,358 | 24,862,876 | 5,953,685 |
| | <u>37,846,025</u> | <u>9,895,374</u> | <u>32,711,070</u> | <u>8,971,701</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 2015

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 2015 | 30 June 2014 |
|---|--------------|--------------|
| | \$ | \$ |
| Impact of a 10% ⁽¹⁾ movement in price of investments at balance date: | | |
| • Equity | 0 | 0 |
| • Statement of Comprehensive Income | 0 | 0 |
| Impact of a 1% ⁽¹⁾ movement in interest rates on cash and investments at balance date: | | |
| • Equity | 1,196,047 | 457,486 |
| • Statement of Comprehensive Income | 1,196,047 | 457,486 |

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 2015

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 2015 | 30 June 2014 |
|--|--------------|--------------|
| | \$ | \$ |
| Percentage of Rates and Annual Charges | | |
| • Current | 2.00% | 1.40% |
| • Overdue | 98.00% | 98.60% |
| Percentage of Other Receivables | | |
| • Current | 99.74% | 98.84% |
| • Overdue | 0.26% | 1.16% |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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 \$ |
|-------------|----------------------------|----------------------------------|----------------------------|--|--------------------------|
| 2015 | | | | | |
| Payables | 7,848,194 | 0 | 0 | 7,848,194 | 7,848,194 |
| Borrowings | 3,134,342 | 12,284,453 | 25,907,749 | 41,326,544 | 29,997,831 |
| | <u>10,982,536</u> | <u>12,284,453</u> | <u>25,907,749</u> | <u>49,174,738</u> | <u>37,846,025</u> |
| 2014 | | | | | |
| Payables | 3,018,016 | 0 | 0 | 3,018,016 | 3,018,016 |
| Borrowings | 1,095,029 | 4,297,662 | 3,009,858 | 8,402,549 | 6,877,357 |
| | <u>4,113,045</u> | <u>4,297,662</u> | <u>3,009,858</u> | <u>11,420,565</u> | <u>9,895,373</u> |

City of Busselton

Financial Report

For the Year Ended 30th June 2015

Notes to and Forming Part of the Financial Report

36. Financial Risk Management (Continued)

(c) Payables (Continued)

(ii) Borrowings

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. 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 2015</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | 0 | 76,495 | 0 | 0 | 2,064,343 | 27,856,993 | 29,997,831 | 4.37% |
| Weighted Average Effective Interest Rate | 0.00% | 0.00% | 0.00% | 0.00% | 6.05% | 4.24% | | |
| <u>Year Ended 30 June 2014</u> | | | | | | | | |
| Borrowings | | | | | | | | |
| Fixed Rate | | | | | | | | |
| Debentures | 0 | 0 | 111,048 | 0 | 0 | 6,766,309 | 6,877,357 | 4.82% |
| Weighted Average Effective Interest Rate | 0.00% | 0.00% | 6.79% | 0.00% | 0.00% | 4.48% | | |



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

Report on the Financial Report

We have audited the accompanying financial report of the City of Busselton, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity, the rate setting statement, and the statement of cash flows for the year ended 30 June 2015, a summary of significant accounting policies and other explanatory notes, and the Chief Executive Officer's statement.

Management's responsibility for the financial report

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

Auditor's responsibility

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation

Independent Member of
BKR
INTERNATIONAL


CHARTERED ACCOUNTANTS
AUSTRALIA - NEW ZEALAND

Opinion

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

- i. gives a true and fair view of the City of Busselton's financial position as at 30 June 2015 and of its performance for the financial year ended 30 June 2015;
- ii. complies with Australian Accounting Standards; and
- iii. is prepared in accordance with the requirements of the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

Statutory Compliance

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

- i. There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the City.
- ii. There are no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law noted during the course of our audit with exception to the following:
 - The budget review was completed between the period 1 January and 31 March 2015 and was submitted to Council for endorsement on 27 May 2015. In accordance with section 33A (2) of the Local Government (Financial Management) Regulation 1996 (as amended), the budget review is to be submitted to Council within 30 days after the budget review has been completed.
- iii. The asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.
- iv. All necessary information and explanations were obtained by us.
- v. All audit procedures were satisfactorily completed during our audit.

AMD Chartered Accountants



TIM PARTRIDGE

Partner

Bunbury, Western Australia

Dated this 1st day of October 2015

City of Busselton

Financial Report

For the Year Ended 30th June 2015

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.

| | 2015 Actual | 2014 Actual | 2013 Actual |
|-----------------------------|----------------|----------------|----------------|
| Asset Consumption Ratio | 0.727 | 0.599 | 0.544 |
| Asset Renewal Funding Ratio | 1.000 | 1.000 | 1.000 |

The above ratios are calculated as follows:

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