

AUDIT AND RISK COMMITTEE MEETING 8 NOVEMBER 2023 ATTACHMENTS

7.1 2022/23 ANNUAL FINANCIAL STATEMENTS, AUDIT REPORT AND MANAGEMENT

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Financial Report
For the year ended
30 June 2023

City of Busselton
Financial Report
For the Year Ended 30 June 2023

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Community Vision

The City of Busselton conducts the operations of a local government with the following community vision;

Where environment, lifestyle and opportunity meet.

Principal place of business:

2 Southern Drive
 Busselton WA 6280

City of Busselton

Financial Report

For the Year Ended 30 June 2023

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CHIEF EXECUTIVE OFFICER

The accompanying financial report of the City of Busselton has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transaction for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the ^{1ST} day of *November* 2023



Anthony Nottle
Chief Executive Officer



City of Busselton

Financial Report

For the Year Ended 30 June 2023

Statement of Comprehensive Income

	Note	2023 Actual \$	2023 Budget \$	2022 Restated* \$
Revenue				
Rates	28(a)	57,470,528	57,741,408	54,785,774
Grants, Subsidies and Contributions		7,443,435	3,432,638	6,166,651
Fees and Charges		22,417,681	19,894,021	19,407,734
Interest Revenue	2(a)	4,374,036	2,019,250	1,004,063
Other Revenue		609,996	351,906	771,797
Gain on Sale of Non-Current Assets Held for Sale		0	0	461,893
Reversal of Asset Write Off		0	0	462,502
		92,315,676	83,439,223	83,060,414
Expenses				
Employee Costs		(35,509,581)	(36,307,918)	(33,845,687)
Materials and Contracts		(22,616,412)	(22,164,077)	(19,305,656)
Utility Charges		(2,855,031)	(2,876,680)	(2,750,011)
Depreciation	10(a),27	(26,481,887)	(27,439,900)	(24,503,340)
Finance Costs	2(b)	(1,724,165)	(1,722,673)	(1,237,620)
Insurance		(869,528)	(652,369)	(783,825)
Other Expenditure		(10,714,741)	(5,544,622)	(3,196,840)
		(100,771,345)	(96,708,239)	(85,622,979)
		(8,455,669)	(13,269,016)	(2,562,565)
Capital Grants, Subsidies and Contributions		24,023,259	31,102,583	24,801,422
Profit on Asset Disposals		200,266	23,632	68,489
Loss on Asset Disposals		(346,370)	(45,550)	(748,170)
Fair Value Adjustments to Financial Assets at Fair Value Through Profit or Loss		6,450	0	11,520
		23,883,605	31,080,665	24,133,261
Net result for the period		15,427,936	17,811,649	21,570,696
Other comprehensive income				
Impairment Loss on Non-Current Assets	8,9	(2,168,998)	0	0
Changes in revaluation surplus		0	0	116,968,093
Total other comprehensive income		(2,168,998)	0	116,968,093
Total comprehensive income for the period		13,258,938	17,811,649	138,538,789

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

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.



City of Busselton

Financial Report

For the Year Ended 30 June 2023

Statement of Financial Position

	Note	2023 Actual \$	2022 Restated* \$	1 July 2021 Restated* \$
Current Assets				
Cash and Cash Equivalents	3	21,032,276	23,655,454	17,108,235
Trade and Other Receivables	5	3,750,792	3,977,631	3,793,737
Other Financial Assets	4(a)	94,682,579	74,677,873	62,059,374
Inventories	6	1,272,715	935,800	936,902
Finance Lease Receivables	5.1	309,426	230,175	217,910
Other Assets	7(a)	483,906	367,383	197,380
Assets Classified as Held for Sale	7(b)	0	0	2,035,508
Total Current Assets		121,531,694	103,844,316	86,349,046
Non-current Assets				
Trade and Other Receivables	5	678,222	540,050	393,784
Other Financial Assets	4(b)	1,431,938	1,608,066	481,283
Property, Plant and Equipment	8,27	199,363,753	191,175,455	134,060,338
Infrastructure	9	651,595,672	653,437,006	580,752,889
Finance Lease Receivables	5.1	7,672,464	7,704,476	7,698,983
Right of Use Assets	11(a)	104,782	342,734	811,327
Total Non-current Assets		860,846,831	854,807,787	724,198,604
Total Assets	26(c)	982,378,525	958,652,103	810,547,650
Current Liabilities				
Trade and Other Payables	12	8,873,525	8,670,757	11,121,259
Contract Liabilities	13.1	1,266,220	1,603,261	2,521,219
Grant Liabilities	13.2	984,500	1,396,224	988,563
Lease Liabilities	11(b)	117,396	253,212	492,042
Borrowings	14	4,620,953	4,330,300	3,020,442
Employee Related Provisions	15	5,885,190	5,911,972	5,502,681
Other Provisions	16	6,504,000	0	430,000
Total Current Liabilities		28,251,784	22,165,726	24,076,206
Non-current Liabilities				
Contract Liabilities	13.1	9,205,220	7,679,299	7,888,354
Grant Liabilities	13.2	6,861,059	5,623,503	4,276,558
Lease Liabilities	11(b)	72,872	188,483	439,461
Borrowings	14	43,621,202	41,844,638	25,247,254
Employee Related Provisions	15	577,890	620,894	715,485
Total Non-current Liabilities		60,338,243	55,956,817	38,567,112
Total Liabilities		88,590,027	78,122,543	62,643,318
Net Assets		893,788,498	880,529,560	747,904,332
Equity				
Retained Surplus		483,823,213	475,350,117	462,043,202
Reserve Accounts	3	78,138,181	71,183,341	62,919,560
Revaluation Surplus	17,27	331,827,104	333,996,102	222,941,570
Total Equity		893,788,498	880,529,560	747,904,332

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

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.



City of Busselton

Financial Report

For the Year Ended 30 June 2023

Statement of Changes in Equity

	Note	Retained Surplus \$	Reserves Cash Backed \$	Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 2021		461,812,090	62,919,560	224,325,697	749,057,347
Revaluation Surplus Adjustment		0	0	0	0
Correction of Errors	27	231,112	0	(1,384,127)	(1,153,015)
*Restated Balance at 1 July 2021		462,043,202	62,919,560	222,941,570	747,904,332
<u>Comprehensive Income</u>					
Net Result for the period		21,547,838	0	0	21,547,838
Correction of Errors	27	22,858	0	(5,913,561)	(5,890,703)
Other Comprehensive Income		0	0	116,968,093	116,968,093
Total Comprehensive Income		21,570,696	0	111,054,532	132,625,228
Transfer from Reserves		(8,263,781)	8,263,781	0	0
Transfer to Reserves					
*Restated Balance as at 30 June 2022		475,350,117	71,183,341	333,996,102	880,529,560
<u>Comprehensive Income</u>					
Net Result		15,427,936	0	0	15,427,936
Other Comprehensive Income	17	0	0	(2,168,998)	(2,168,998)
Total Comprehensive Income		15,427,936	0	(2,168,998)	13,258,938
Transfer from Reserves		(6,954,840)	6,954,840	0	0
Transfer to Reserves					
Balance as at 30 June 2023		483,823,213	78,138,181	331,827,104	893,788,498

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

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.

City of Busseton
Financial Report
For the Year Ended 30 June 2023

Statement of Cash Flows

	Note	2023 Actual \$	2022 Actual \$
Cash Flows from Operating Activities			
Receipts			
Rates		56,371,297	55,566,251
Grants, Subsidies and Contributions		7,659,946	5,875,276
Fees & Charges		22,510,179	18,960,175
Interest Revenue		4,374,036	1,004,063
Goods and Services Tax		8,008,520	7,405,825
Other Receipts		6,655,730	4,989,035
		<u>105,579,708</u>	<u>93,800,625</u>
Payments			
Employee Costs		(35,560,739)	(33,995,104)
Materials and Contracts		(21,641,038)	(23,418,262)
Utility Charges		(2,855,031)	(2,750,011)
Finance Costs		(1,724,165)	(1,237,620)
Insurance Paid		(869,528)	(783,825)
Goods and Services Tax		(7,865,028)	(7,324,129)
Other Payments		(11,026,087)	(5,214,040)
		<u>(81,541,616)</u>	<u>(74,722,991)</u>
Net Cash Provided by / (used in) Operating Activities	18	<u>24,038,092</u>	<u>19,077,634</u>
Cash Flows from Investing Activities			
Payment for Purchase of Property, Plant & Equipment		(14,815,688)	(8,995,166)
Payment for Construction of Infrastructure		(15,350,796)	(22,623,149)
Non-Operating Grants, Subsidies and Contributions		20,907,096	12,646,661
Proceeds from Sale of Property, Plant and Equipment		604,455	257,564
Proceeds from Sale of Non-current Asset Held for Sale		0	2,500,000
Proceeds from Financial Assets at Amortised Costs – Term Deposits		(20,000,000)	(12,500,000)
Proceeds from Self Supporting Loans		177,873	91,238
		<u>177,873</u>	<u>91,238</u>
Net Cash Provided by / (used In) Investing Activities		<u>(28,477,060)</u>	<u>(28,622,852)</u>
Cash Flows from Financing Activities			
Repayment of Borrowings		(4,432,783)	(3,417,757)
Payments of Principal Portion of Lease Liabilities		(251,427)	(489,806)
Advances to Community Groups		0	(1,325,000)
Proceeds from New Borrowings		6,500,000	21,325,000
		<u>6,500,000</u>	<u>21,325,000</u>
Net Cash Provided By / (used In) Financing Activities		<u>1,815,790</u>	<u>16,092,437</u>
Net Increase / (Decrease) in Cash Held		<u>(2,623,178)</u>	<u>6,547,219</u>
Cash at Beginning of Year		23,655,454	17,108,235
Cash and Cash Equivalents at the End of the Year	18	<u>21,032,276</u>	<u>23,655,454</u>

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

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Statement of Financial Activity

		2023 Actual	2023 Budget	2022 Actual Restated*
	Note	\$	\$	\$
Operating Activities				
Revenue from Operating Activities				
Rates	28	57,470,528	57,741,408	54,785,774
Grants, Subsidies and Contributions		7,443,435	3,432,638	6,166,651
Fees and Charges		22,417,681	19,894,021	19,407,734
Interest Revenue	2(a)	4,374,036	2,019,250	1004,063
Other Revenue		609,996	351,906	771,797
Profit on Asset Disposals		200,266	23,632	68,489
Gain on Sale of Non-Current Assets Held for Resale		0	0	461,893
Reversal of Asset Write Off		0	0	462,502
Fair Value Adjustment to Financial Assets Through Profit or Loss		6,450	0	11,520
		<u>92,522,392</u>	<u>83,462,855</u>	<u>83,140,423</u>
Expenditure from Operating Activities				
Employee Costs		(35,509,581)	(36,307,918)	(33,845,687)
Materials and Contracts		(22,616,412)	(22,164,077)	(19,305,656)
Utility Charges		(2,855,031)	(2,876,680)	(2,750,011)
Depreciation	10(a),27	(26,481,887)	(27,439,900)	(24,503,340)
Finance Costs		(1,724,165)	(1,722,673)	(1,237,620)
Insurance		(869,528)	(652,369)	(783,825)
Other Expenditure		(10,714,742)	(5,544,622)	(3,196,840)
Loss on Asset Disposals		(346,370)	(45,550)	(748,170)
		<u>(101,117,716)</u>	<u>(96,753,789)</u>	<u>(86,371,149)</u>
Non-cash amounts excluded from operating activities	29(a)	<u>32,590,815</u>	<u>27,461,818</u>	<u>24,114,970</u>
Amount attributable to operating activities		<u>23,995,491</u>	<u>14,170,884</u>	<u>20,884,244</u>
Investing Activities				
Inflows from investing activities				
Capital grants, subsidies and contributions		24,023,259	31,102,583	24,801,422
Proceeds from disposal of assets		604,455	613,452	2,757,564
Proceeds from self-supporting loans	30	177,873	189,476	91,240
Outflows from investing activities				
Purchase property, plant and equipment	8	(14,954,755)	(43,827,451)	(8,611,327)
Purchase and construction of infrastructure	9	(15,187,791)	(22,633,157)	(22,623,150)
Amount attributable to investing activities		<u>(5,336,959)</u>	<u>(34,555,097)</u>	<u>(3,584,251)</u>
Non-cash amounts excluded from investing activities	29(b)	<u>(3,167,598)</u>	<u>(5,740,000)</u>	<u>(11,066,960)</u>
Amount attributable to investing activities		<u>(8,504,557)</u>	<u>(40,295,097)</u>	<u>(14,651,211)</u>
Financing Activities				
Inflows from financing activities				
Proceeds from new borrowings	30	6,500,000	6,750,000	21,325,000
Transfers from cash backed reserves		53,101,746	48,698,258	43,870,975
Outflows from financing activities				
Repayment of borrowings	30	(4,432,783)	(4,517,329)	(3,417,758)
Principal elements of finance lease payments		(251,426)	(250,974)	(489,807)
Advance to Community Groups	30	0	(250,000)	(1,325,000)
Transfers to cash backed reserves (restricted assets)		(68,795,118)	(24,477,257)	(68,303,015)
Amount attributable to financing activities		<u>(13,877,581)</u>	<u>25,952,698</u>	<u>(8,339,605)</u>
Movement in Surplus or deficit				
Surplus or deficit at the start of the financial year		341,808	507,353	2,448,380
Amount attributable to operating activities		23,995,491	14,170,884	20,884,244
Amount attributable to investing activities		(8,504,557)	(40,295,097)	(14,651,211)
Amount attributable to financing activities		(13,877,581)	25,952,698	(8,339,605)
Surplus or deficit at the end of the financial year		<u>1,955,161</u>	<u>335,838</u>	<u>341,808</u>

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

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

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City of Busselton

Financial Report

For the Year Ended 30 June 2023

1. BASIS OF PREPARATION

The financial report of City of Busselton which is a Class 1 local government comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the Local Government Act 1995 read with the Local Government (Financial Management) Regulations 1996 prescribe that the financial report be prepared in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The Local Government (Financial Management) Regulations 1996 specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for the Statement of Cash Flows and elements of the rate setting information contained in the Statement of Financial Activity, the financial 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.

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.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 32 of the financial report.

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- Estimated fair value of certain financial assets
- Impairment of financial assets
- Estimation of fair values of land and buildings, infrastructure and investment property
- Estimation uncertainties made in relation to lease accounting
- Estimated useful life of intangible assets

City of Busselton

Financial Report

For the Year Ended 30 June 2023

1. BASIS OF PREPARATION (Continued)

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report.

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 Amendments to Australian Accounting Standards Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates. This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.

The amendments to AASB 2022-10 may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

2. Revenue and Expenses

Revenue Recognition Policy

Recognition of revenue is dependent on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	Timing of revenue recognition
Rates	<ul style="list-style-type: none"> General rates & rates charged for specific defined purposes. 	When rates notice is issued.
Operating Grants, Subsidies and Contributions	<ul style="list-style-type: none"> Community events, minor facilities, research, design, planning evaluation and services. General appropriations and contributions with no reciprocal commitment. 	<p>Income from grants that are enforceable and with sufficiently specific performance obligations is recognised as the City satisfies its obligations in the grant agreements.</p> <p>Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the City has an unconditional right to receive cash which usually coincides with receipt of cash.</p>
Non-Operating Grants, Subsidies and Contributions	<ul style="list-style-type: none"> Construction or acquisition of recognisable non-financial assets to be controlled by the local government. 	Capital grants are recognised as income as the City satisfies its obligations in the grant agreements.
Fees and Charges	<ul style="list-style-type: none"> Building, planning, development and animal management, having the same nature as a licence regardless of naming. Compliance safety check. Regulatory food, health and safety. Kerbside collection service. Waste treatment, recycling and disposal service at disposal sites. Permission to use facilities and runway. Gym and pool membership. Cemetery services, library fees, reinstatements and private works. Aviation fuel, kiosk and visitor centre stock. Fines issued for breaches of local laws. 	At a point in time (or over a relatively short period of time) when the services have been provided and payments are received.
Other Revenue	<ul style="list-style-type: none"> Sale of scrap materials. Insurance claims. Commissions on licencing and ticket sales. 	At a point in time when the goods have been transferred and payments are received, or upon receipt of funds.

City of Busselton
Financial Report
For the Year Ended 30 June 2023
Notes to and Forming Part of the Financial Report

	2023 Actual \$	2022 Actual \$
2. Revenue and Expenses (Continued)		
(a) Revenue (Continued)		
Revenue Recognition		
Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:		
General rates	56,836,404	54,179,561
Specified area rates	634,124	606,213
Statutory permits and licences	1,168,971	1,180,350
Fines	40,413	57,130
Developer contributions	1,428,306	785,269
	60,108,218	56,808,523
Assets and services acquired below fair value		
Contributed assets	5,204,907	12,518,962
	5,204,907	12,518,962
Interest Earnings		
- Reserve Funds	2,235,001	224,316
- Other Funds	1,675,491	344,876
- Other Interest Revenue	463,544	434,871
	4,374,036	1,004,063
Fees and Charges Relating to Rates Receivable		
Charges on Instalment Plans	119,489	115,929
(b) Expenses		
Auditors Remuneration		
- Audit of the Annual Financial Report	60,900	56,820
- Other Services Certifications	0	5,900
	60,900	62,720
Finance Costs		
Long Term Borrowings (refer Note 30(a))	1,710,755	1,206,769
Lease Interest	13,410	30,851
	1,724,165	1,237,620

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

	Note	2023 Actual \$	2022 Actual \$
3. Cash and Cash Equivalents			
Unrestricted		1,713,146	29,696
Restricted		19,319,130	23,625,758
		<u>21,032,276</u>	<u>23,655,454</u>
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents - restricted		19,319,130	23,625,758
- Financial Assets at amortised cost – Term Deposits	4	94,500,000	74,500,000
		<u>113,819,130</u>	<u>98,125,758</u>
Reserves – cash/financial asset backed	31	78,138,181	71,183,341
Cash set aside in Lieu of Parking		358,943	358,943
Cash set aside in Lieu of Public Open Space		1,410	1,410
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development		1,337,256	870,368
Cash set aside, being unspent specific purpose Government Grants	13	7,845,559	7,019,727
Cash set aside, being Unspent Loan Funds	30(c)	21,789,593	14,366,377
Cash set aside for Sundry Restricted		256,155	256,155
Cash set aside for Deposits & Bonds	12	4,092,033	4,069,438
		<u>113,819,130</u>	<u>98,125,759</u>

SIGNIFICANT ACCOUNTING POLICIES

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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

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

Restricted Financial Assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

	Note	2023 Actual \$	2022 Actual \$
4. Other Financial Assets			
(a) Current Assets			
Financial assets at amortised cost		94,682,579	74,677,873
		<u>94,682,579</u>	<u>74,677,873</u>
Other Financial Assets at Amortised Costs			
Self-supporting loans		182,579	177,873
Term Deposit	3	94,500,000	74,500,000
		<u>94,682,579</u>	<u>74,677,873</u>
Held as:			
Unrestricted other financial assets at amortised cost		182,579	177,873
Restricted other financial assets at amortised cost		94,500,000	74,500,000
		<u>94,682,579</u>	<u>74,677,873</u>
(b) Non-Current Assets			
Financial assets at amortised cost		1,289,331	1,471,909
Financial assets at fair value through profit and loss		142,607	136,157
		<u>1,431,938</u>	<u>1,608,066</u>
Financial assets at amortised cost			
Self-supporting loans		1,289,331	1,471,909
		<u>1,289,331</u>	<u>1,471,909</u>
Financial assets at fair value through profit and loss			
Units in Local Government House Trust		142,607	136,157
		<u>142,607</u>	<u>136,157</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 30(a) as self-supporting loans. Fair value of financial assets at fair value through profit and loss is determined from the net asset value of the units held in trust at balance date as compiled by WALGA.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The City classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Fair values of non-current financial assets at amortised cost are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates.

Interest received is presented under cash flows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit and loss

The City classifies the following financial assets at fair value through profit and loss:

- Debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- Equity investments which the City has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

	2023 Actual \$	2022 Actual \$
5. Trade and Other Receivables		
Current		
Rates Receivable	1,058,068	1,017,639
Rates Receivable – Pensioners	21,751	21,187
Trade and Other Receivables	2,195,408	2,319,748
GST Receivable	475,565	619,057
	<u>3,750,792</u>	<u>3,977,631</u>
Non-Current		
Rates Receivable – Pensioners	393,541	344,503
Trade and Other Receivables	284,681	195,547
	<u>678,222</u>	<u>540,050</u>

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines. Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

Other Receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non-financial assets.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets. Trade and other receivables are held with the objective to collect the contractual cash flows and therefore the City measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

City of Busselton

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For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

5.1 Finance Lease Receivables

	2023 Actual \$	2022 Actual \$
Current	309,426	230,175
Non-current	7,672,464	7,704,476
	<u>7,981,890</u>	<u>7,934,651</u>

SIGNIFICANT ACCOUNTING POLICIES

Finance lease receivables

The City is an intermediate lessor and the finance lease receivables relate to properties that the City has subleased to third parties. The City has classified these subleases as finance lease as the subleases are for the whole of the remaining term of the head leases.

Amounts due from the finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in the leases.

	2023 Actual \$	2022 Actual \$
6. Inventories		
Current		
Materials	1,272,715	935,800
	<u>1,272,715</u>	<u>935,800</u>
The following movements in inventories occurred during the year:		
Balance at beginning of year	935,800	936,902
Adjustment to inventory	0	0
Inventories expensed during the year	(208,807)	(114,574)
Additions to inventory	545,722	113,472
Balance at end of year	<u>1,272,715</u>	<u>935,800</u>

SIGNIFICANT ACCOUNTING POLICIES

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.

City of Busselton

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For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

7. Other Assets	2023	2022
	Actual	Actual
	\$	\$
(a) Other Assets		
Prepayments	483,906	367,383
(b) Non-Current Assets Held for Sale		
Land	0	0

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Non-current assets held for sale

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 25(i).

Contract assets

Contract assets primarily relate to the City's right to consideration for work completed but not billed at the end of the period.

**City of Busseilton
Financial Report**

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

8. Property, Plant and Equipment Movements in Balances
 Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings	Furniture and equipment	Plant and equipment	Total
* Restated balance at 1 July 2021	47,935,248	66,636,241	4,042,630	15,446,219	134,060,338
Additions	0	7,078,870	405,559	1,126,898	8,611,327
Transfers	(74,438)	(1,004,955)	245,005	367,803	(466,585)
(Disposals)	0	(516,412)	(7,278)	(223,164)	(746,854)
Depreciation (expense)	0	(2,613,567)	(579,118)	(2,380,102)	(5,572,787)
Revaluation increments/(Decrements)	12,664,548	47,627,653	0	0	60,292,201
Correction of Error	(429,075)	(5,484,486)	0	0	(5,913,561)
Donated Assets	0	30,000	0	881,376	911,376
Balance at 30 June 2022	60,096,283	111,753,344	4,106,798	15,219,030	191,175,455
Comprises:					
Gross balance amount at 30 June 2022	60,096,283	112,086,227	5,584,364	21,934,235	199,701,109
Accumulated depreciation at 30 June 2022	0	(332,883)	(1,477,566)	(6,715,205)	(8,525,654)
Balance at 30 June 2022	60,096,283	111,753,344	4,106,798	15,219,030	191,175,455
Additions	0	12,105,402	880,755	1,968,598	14,954,755
Transfers	0	127,006	45,585	237,227	409,818
(Disposals)	(280,926)	(53,181)	0	(416,453)	(750,560)
Depreciation (expense)	0	(2,060,459)	(689,348)	(2,234,740)	(4,984,547)
Impairment (Loss)	0	(1,441,167)	0	0	(1,441,167)
Balance at 30 June 2023	59,815,357	120,430,945	4,343,790	14,773,661	199,363,753
Comprises:					
Gross balance amount at 30 June 2023	59,815,357	124,264,935	6,306,053	23,423,044	213,809,389
Accumulated depreciation at 30 June 2023	0	(2,392,823)	(1,962,263)	(8,649,383)	(13,004,469)
Accumulated Impairment loss 30 June 2023	0	(1,441,167)	0	0	(1,441,167)
Balance at 30 June 2023	59,815,357	120,430,945	4,343,790	14,773,661	199,363,753

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

8. Property, Plant and Equipment (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
(i) Fair Value					
Land	2	Market approach using recent observable market data for similar properties/ income approach using discounted cash flow methodology	Independent Registered Valuer	June 2022	Price per hectare / market borrowing rate.
Buildings - Specialised	3	Cost approach using current replacement cost	Independent Registered Valuer	May 2022	Construction costs and current condition, residual values and remaining useful life assessment's inputs.
Buildings - Non-Specialised	2	Market approach using recent observable market data for similar properties/ income approach using discounted cash flow methodology	Independent Registered Valuer	May 2022	Price per square meter / market borrowing rate.

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.

(ii) Cost		N/A	Cost	N/A	N/A
Furniture and Equipment		N/A	Cost	N/A	N/A
Plant & Equipment		N/A	Cost	N/A	N/A

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

9. Infrastructure Movements in Balances
(a) Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Roads Infrastructure	Bridges Infrastructure	Car Parks Infrastructure	Drainage Infrastructure	Other Infrastructure	Total Infrastructure
Balance at 1 July 2021	306,702,564	37,862,300	10,496,636	58,894,169	166,797,220	580,752,889
Additions	9,462,386	1,258,488	1,185,864	343,693	10,372,719	22,623,150
Transfers (Disposals)	(5,669)	0	(61,678)	629	496,556	429,838
Depreciation (expense)	(6,513,008)	(157,772)	0	0	(32,619)	(190,391)
Revaluation Increments/(Decrements)	29,134,330	(820,595)	(418,219)	(883,973)	(9,826,164)	(18,461,959)
Donated Assets	2,747,979	12,932,853	995,088	7,246,139	6,367,483	56,675,893
Balance at 30 June 2022	341,528,582	3,929,239	12,197,691	2,470,181	2,460,187	11,607,586
Comprises:		55,004,513	68,070,838	176,635,382	653,437,006	
Gross balance amount at 30 June 2022	341,528,582	55,004,513	12,197,691	68,070,838	176,635,382	653,437,006
Accumulated depreciation at 30 June 2022	0	0	0	0	0	0
Balance at 30 June 2022	341,528,582	55,004,513	12,197,691	68,070,838	176,635,382	653,437,006
Additions	5,841,495	450,000	412,938	359,379	8,123,979	15,187,791
Transfers (Disposals)	1,298,120	(1,558)	(50,466)	553,765	(2,046,673)	(246,812)
Depreciation (expense)	(7,628,611)	(1,207,065)	(502,573)	(1,338,187)	(10,582,953)	(21,259,389)
Impairment (Loss)	0	(727,831)	0	0	0	(727,831)
Donated Assets	1,824,962	0	0	2,396,214	983,731	5,204,907
Balance at 30 June 2023	342,864,548	53,518,059	12,057,590	70,042,009	173,113,466	651,595,672
Comprises:		55,452,955	12,560,163	71,380,196	183,696,420	673,582,893
Gross balance amount at 30 June 2023	350,493,159	(1,207,065)	(502,573)	(1,338,187)	(10,582,954)	(21,259,390)
Accumulated depreciation at 30 June 2023	(7,628,611)	(727,831)	0	0	0	(727,831)
Accumulated impairment loss 30 June 2023	0	0	0	0	0	0
Balance at 30 June 2023	342,864,548	53,518,059	12,057,590	70,042,009	173,113,466	651,595,672

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

9. Infrastructure (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	using	current	Basis of Valuation	Date of last Valuation	Inputs Used
Roads	3	Cost approach replacement cost	using	current	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Bridges	3	Cost approach replacement cost	using	current	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Car Parks	3	Cost approach replacement cost	using	current	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Drainage	3	Cost approach replacement cost	using	current	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs.
Other Infrastructure	3	Cost approach replacement cost	using	current	Management valuation	June 2022	Construction costs and current condition, residual values and remaining useful life assessments inputs.

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

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

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

10. Fixed Assets

	2023 Actual \$	2022 Actual \$
(a) Depreciation		
Buildings	2,060,459	2,613,567
Furniture and Equipment	689,348	579,118
Plant and Equipment	2,234,740	2,380,102
Infrastructure - Roads	7,628,611	6,513,008
Infrastructure - Bridges	1,207,065	820,595
Infrastructure - Car Parks	502,573	418,219
Infrastructure - Stormwater Drainage	1,338,187	883,973
Infrastructure - Other	10,582,956	9,826,165
Right of Use Assets – Furniture and Equipment	237,948	468,593
	26,481,887	24,503,340

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Buildings	40 - 90	Years
Furniture and Equipment	3 - 15	Years
Plant and Equipment	3 - 25	Years

Infrastructure:

Roads	10 - 60	Years
Bridges	40 - 85	Years
Car Parks	20 - 40	Years
Footpaths & Cycle ways	20 - 50	Years
Parks, Gardens & Reserves & Community Facilities	4 - 80	Years
Drainage	80	Years
Regional Airport & Industrial Park	5 - 60	Years

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of certain items of plant and equipment used in the maintenance of road infrastructure were revised.

City of Busselton

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For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

10. Fixed Assets (Continued)

(b) Temporarily idle or retired from use assets

The carrying value of assets held by the City which are temporarily idle or retired from active use and not classified as held for sale are shown in the table below.

	2023 Actual \$	2022 Actual \$
Furniture and equipment	0	0
Plant and equipment	0	0
	0	0

(c) Fully Depreciated Assets in Use

The gross carrying value of assets held by the City which are currently in use yet fully depreciated are shown in the table below.

	2023 Actual \$	2022 Actual \$
Furniture and equipment	135,841	130,022
Plant and equipment	3,751,560	2,919,626
	3,887,401	3,049,648

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

10. Fixed Assets (Continued)

SIGNIFICANT ACCOUNTING POLICIES

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 any accumulated depreciation and impairment losses.

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with Financial Management Regulation 17A. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5). These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, 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 that are land, buildings, and infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the City's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next revaluation date consistent with Financial Management Regulation 17A (4).

Revaluation

The fair value of land, buildings, and infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the City.

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with Financial Management Regulation 17A(2) which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

10. Fixed Assets (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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.

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

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

Impairment

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 or losses on disposal

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

11. Leases

(a) Right of use assets

Movement in the balance of each class of right-of-use asset between the beginning and end of the current financial year.

	Note	Right of use assets – Furniture and Equipment \$	Right of use assets - Total \$
Balance at 1 July 2021		811,323	811,323
Depreciation (expense)	10(a)	(468,593)	(468,593)
Balance at 30 June 2022		342,730	342,730
Depreciation (expense)	10(a)	(237,948)	(237,948)
Balance at 30 June 2023		104,782	104,782

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2023 Actual \$	2022 Actual \$
Depreciation expense on right of use assets	10(a)	(237,948)	(468,593)
Interest expense on lease liabilities	30(d)	(10,861)	(28,459)
Total amount recognised in the statement of comprehensive income		(248,809)	(497,052)
Total cash outflow from leases	30(d)	(261,835)	(517,660)

(b) Lease Liabilities

Current	117,396	253,212
Non-current	72,872	188,483
	190,268	441,695

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 30(d).

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the City anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(c) Property subject to lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

	2023 Actual \$	2022 Actual \$
Less than 1 year	1,234,636	1,137,441
1 to 2 years	1,201,287	1,114,721
2 to 3 years	1,220,671	1,068,125
3 to 4 years	1,145,414	1,032,489
4 to 5 years	1,067,819	1,032,489
> 5 years	26,147,829	27,512,227
	32,017,656	32,897,492

The City leases properties to external parties with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

SIGNIFICANT ACCOUNTING POLICIES

The City as Lessor

Upon entering into each contract as a lessor, the City assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (e.g. legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the City applies AASB 15 to allocate the consideration under the contract to each component.

City of Busselton

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Notes to and Forming Part of the Financial Report

	2023 Actual \$	2022 Actual \$
12. Trade and Other Payables		
Current		
Sundry Creditors	1,869,305	1,178,615
Prepaid Rates	1,015,844	918,088
Deposits and Bonds	4,092,033	4,069,438
Accrued Expenses	1,896,343	2,504,616
	<u>8,873,525</u>	<u>8,670,757</u>

SIGNIFICANT ACCOUNTING POLICIES

Financial Liabilities

Financial liabilities are initially recognised at fair value when the City becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

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	2023	2022
	Actual	Actual
	\$	\$
13. Other Liabilities		
Contracts/ Grant Liabilities		
13.1 Contract Liabilities		
Current	1,266,220	1,603,261
Non-current	9,205,220	7,679,299
	<u>10,471,440</u>	<u>9,282,560</u>
13.1.1 Movement in contract liabilities		
Reconciliation of changes in contract liabilities		
Opening balance	9,282,560	10,409,573
Additions	1,428,305	785,269
Revenue recognised in the reporting period	(239,425)	(1,912,282)
Balance at end of period	<u>10,471,440</u>	<u>9,282,560</u>
13.1.2 Expected satisfaction of contract liabilities		
Income recognition		
1 year	1,266,220	1,603,261
1 to 5 years	2,617,860	2,320,640
Over 5 years	6,587,360	5,358,659
	<u>10,471,440</u>	<u>9,282,560</u>
13.2 Grant Liabilities		
Current	984,500	1,396,224
Non-current	6,861,059	5,623,503
	<u>7,845,559</u>	<u>7,019,727</u>
13.2.1 Movement in grant liabilities		
Reconciliation of changes in grant liabilities		
Opening balance	7,019,727	5,265,121
Additions	20,217,899	14,042,405
Revenue recognised in the reporting period	(19,392,067)	(12,287,799)
Balance at end of period	<u>7,845,559</u>	<u>7,019,727</u>
13.2.2 Expected satisfaction of grant liabilities		
Income recognition		
1 year	984,500	1,396,224
1 to 5 years	6,861,059	5,623,503
Over 5 years	0	0
	<u>7,845,559</u>	<u>7,019,727</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the City's obligation to transfer goods or services to a customer for which the City has received consideration from the customer. Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the City's obligations to construct recognisable non-financial assets to identified specifications to be controlled the City which are yet to be satisfied. Capital grant/contribution liabilities are recognised as revenue when the obligations in the contract are satisfied.

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13. Other Liabilities (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital grant/contribution liabilities (Continued)

Fair values for Non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cash flows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

14. Borrowings

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
		\$	\$	\$	\$	\$	\$
Secured							
Bank Overdrafts		0	0	0	0	0	0
Bank Loans		0	0	0	0	0	0
Debentures		4,620,953	43,621,202	48,242,155	4,330,300	41,844,638	46,174,938
Total Secured Borrowings	30	4,620,953	43,621,202	48,242,155	4,330,300	41,844,638	46,174,938

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the City of Busselton. Other loans relate to transferred receivables. Refer to Note 5.

The City of Busselton has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 years.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 23.

Details of individual borrowings required by regulations are provided at Note 30(a).

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15. Employee Related Provisions	2023	2022
	\$	\$
Current Provisions		
Employee Benefit Provisions		
Annual Leave	1,922,846	1,944,612
Long Service Leave	3,142,018	3,130,471
Other employee Leave Provision	79,317	79,477
	<u>5,144,181</u>	<u>5,154,560</u>
Other provisions		
Employment on-costs	741,009	757,412
	<u>741,009</u>	<u>757,412</u>
Total current employee related provisions	5,885,190	5,911,972
Non-current provisions		
Long Service Leave	507,771	543,348
	<u>507,771</u>	<u>543,348</u>
Other provisions		
Employment on-costs	70,119	77,545
	<u>70,119</u>	<u>77,545</u>
Total non-current employee related provisions	577,890	620,893
Total employee related provisions	6,463,080	6,532,865

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2023	2022
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	2,956,000	2,687,234
More than 12 months from reporting date	3,507,080	3,845,631
	<u>6,463,080</u>	<u>6,532,865</u>

Expected reimbursements of employee related provisions from other WA local governments included within other receivables	80,000	68,900
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SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The City's obligations for employee's annual leave and long service leave entitlements are recognised as provisions in the statement of financial position

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

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Notes to and Forming Part of the Financial Report

sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits (Continued)

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.

Other long-term employee benefits

Long-term employee benefits provisions 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.

16.	Other Provisions	2023		2022
		Actual		Actual
		\$		\$
	**Other Provisions	6,504,000		0

****Busselton Waste Transfer Station – Contamination**

The City of Busselton operates the Rendezvous Road Waste Transfer Station from lots 500 and 27 Rendezvous Road, Vasse (Busselton Waste Transfer Site). The quality of groundwater at and in an area to the north of the Busselton Waste Transfer Site has reduced as a result of legacy issues from the use of this site as a former landfill facility, and also potentially from other historical uses in the area. Groundwater in the area has shown levels of hydrocarbons, metals, nutrients and PFAS above background levels. Provision has been made to deal with the financial impacts caused by these contamination issues.

SIGNIFICANT ACCOUNTING POLICIES

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.

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Notes to and Forming Part of the Financial Report

17. Revaluation Surplus	2023 Actual \$	2022 Actual \$	2021 Restated* \$
Land and Buildings			
Opening Balance	99,403,866	45,025,226	46,409,353
Revaluation Increment	0	60,292,201	0
Revaluation Decrement	0	(5,913,561)	(1,384,127)
Impairment Loss	(1,441,168)	0	0
	<u>97,962,698</u>	<u>99,403,866</u>	<u>45,025,226</u>
Furniture & Fittings			
Opening Balance	797,333	797,333	797,333
Revaluation Increment	0	0	0
Revaluation Decrement	0	0	0
	<u>797,333</u>	<u>797,333</u>	<u>797,333</u>
Plant and Equipment			
Opening Balance	840,738	840,738	840,738
Revaluation Increment	0	0	0
Revaluation Decrement	0	0	0
	<u>840,738</u>	<u>840,738</u>	<u>840,738</u>
Roads			
Opening Balance	151,181,365	122,047,036	122,047,036
Revaluation Increment	0	29,134,329	0
Revaluation Decrement	0	0	0
	<u>151,181,365</u>	<u>151,181,365</u>	<u>122,047,036</u>
Bridges			
Opening Balance	36,394,262	23,461,409	23,461,409
Revaluation Increment	0	12,932,853	0
Revaluation Decrement	0	0	0
Impairment Loss	(727,830)	0	0
	<u>35,666,432</u>	<u>36,394,262</u>	<u>23,461,409</u>
Car Parks			
Opening Balance	6,309,764	5,314,676	5,314,676
Revaluation Increment	0	995,088	0
Revaluation Decrement	0	0	0
	<u>6,309,764</u>	<u>6,309,764</u>	<u>5,314,676</u>
Drainage			
Opening Balance	21,348,594	14,102,455	14,102,455
Revaluation Increment	0	7,246,139	0
Revaluation Decrement	0	0	0
	<u>21,348,594</u>	<u>21,348,594</u>	<u>14,102,455</u>
Other Infrastructure			
Opening Balance	17,720,180	11,352,697	11,352,697
Revaluation Increment	0	6,367,483	0
Revaluation Decrement	0	0	0
	<u>17,720,180</u>	<u>17,720,180</u>	<u>11,352,697</u>
All Asset Classes			
Opening Balance	333,996,102	222,941,570	224,325,697
Revaluation Increment	0	116,968,093	0
Revaluation Decrement	0	(5,913,561)	(1,384,127)
Impairment Loss	(2,168,998)	0	0
Total Assets Revaluation Surplus	<u>331,827,104</u>	<u>333,996,102</u>	<u>222,941,570</u>

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.

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Notes to and Forming Part of the Financial Report

18. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash 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:

	2023 Actual \$	2022 Actual \$
Cash and Cash Equivalents	21,032,276	23,655,454

Restrictions

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

Cash and cash equivalents	19,319,130	23,625,758
Financial assets at amortised cost	94,500,000	74,500,000
	<u>113,819,130</u>	<u>98,125,758</u>

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts	78,138,181	71,183,341
Contract liabilities	1,697,609	1,230,721
Capital grant liabilities	7,845,559	7,019,727
Unspent loans	21,789,593	14,366,377
Other Restricted accounts	4,348,188	4,325,593
Total restricted financial assets	<u>113,819,130</u>	<u>98,125,759</u>

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

Net Result	15,427,936	21,570,696
Non-cash flows in Net result:		
Depreciation	26,481,887	24,503,340
(Profit) / Loss on Sale of Asset	146,104	679,681
Revaluation Adjustment	(6,450)	(924,395)
Non-Cash Contributions	(5,204,908)	(12,518,962)
Changes in assets and Liabilities:		
(Increase) / Decrease in Receivables	(632,917)	(1,150,925)
(Increase) / Decrease in Inventories	(384,154)	1,102
Increase / (Decrease) in Payables	668,766	(948,531)
Increase / (Decrease) in Provisions	6,434,213	(115,299)
Non-operating Grants and Contributions for the Development of Assets	(18,892,385)	(12,019,073)
Net Cash from Operating Activities	<u>24,038,092</u>	<u>19,077,634</u>

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Notes to and Forming Part of the Financial Report

	2023 Actual \$	2022 Actual \$
18. Notes to the Statement of Cash Flows		
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Electronic Payaway Facility	850,000	850,000
Electronic Payaway Facility at Balance Date	0	0
Credit card limit	50,000	50,000
Credit card balance at balance date	(23,916)	(28,053)
Total amount of credit unused	876,084	871,947
Loan facilities		
Loan facilities - current	4,620,953	4,330,300
Loan facilities - non-current	43,621,202	41,844,638
Total facilities in use at balance date	48,242,155	46,174,938

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Notes to and Forming Part of the Financial Report

19. Contingent Liabilities

19.1 Contaminated Sites

Under the Contaminated Sites Act 2003, the City is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as 'contaminated – remediation required' or 'possibly contaminated – investigation required', the City may have a liability in respect of investigation or remediation expenses.

DWER has classified 11 sites as 'possibly contaminated – investigation required'. Until the City conducts an investigation, it is not possible to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

19.2 Third party claims against the City

The Council is involved in various claims made by third parties in the course of and incidental to the ordinary course of business. In many instances the Council believes it is appropriately covered for these claims through its insurance coverage. It is not possible to estimate the amounts of any eventual payments which may be required in relation to any of these claims and disclosure of further information in relation to actual or potential litigation could prejudice the City's position.

19.3 Jetstar Cash Incentive

Per the Air Services Agreement between the City and Jetstar, the City is required to incentivise and underwrite Jetstar's 3-weekly services to Melbourne, up to an agreed maximum value. The Jetstar flights commenced in April 2022 following the reopening of the WA State border.

At the end of the reporting period, it is acknowledged that there is a possibility that the City may have a liability in relation to the cash subsidy arrangement, if Jetstar's actual revenue is less than the agreed required revenue for the periods in the agreement.

The City is unable to reliably estimate the financial effects, if any, at this time.

City of Busselton

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Notes to and Forming Part of the Financial Report

20. Capital Commitments

	2023 Actual \$	2022 Actual \$
Capital Expenditure Commitments		
Contracted for:		
<u>Capital projects</u>		
- Busselton Performing Arts and Convention Centre	24,948,129	33,476,638
- Mitchell Park	0	36,760
- Dunsborough Lakes Sports Precinct	208,114	509,635
- Vasse Sports Oval Lighting	136,117	0
- Lower Vasse River Sediment Removal	84,850	0
- Hotel Site Car Parking	25,500	0
- Rotary Park War Memorial	14,608	0
- Churchill Park	0	188,620
- Bovell Construction Works	0	190,123
- Construction of Youth Hub in Dunsborough	0	36,146
- Other	0	17,573
	25,417,318	34,455,495
<u>Payable:</u>		
- not later than one year	25,417,318	34,455,495
- later than one year but not later than five years	0	0

The capital expenditure projects outstanding at the end of the current reporting period represent construction works associated with the above stated projects.

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Notes to and Forming Part of the Financial Report

21. Related Party Transactions

	2023 Actual \$	2023 Budget \$	2022 Actual \$
(a) Elected Members Remuneration			
The following fees, expenses and allowances were paid to council members and the mayor.			
Mayor's Annual Allowance	91,997	91,997	89,261
Mayor's Sitting Fees	48,704	48,704	47,256
Mayor's Communication Allowance	3,500	3,500	3,481
Mayor's Other Allowances	516	0	435
	<u>144,717</u>	<u>144,201</u>	<u>140,433</u>
Deputy Mayor's Allowance	22,999	22,999	22,315
Deputy Mayor's Sitting Fees	32,470	32,470	41,051
Deputy Mayor's Travelling Allowance	0	0	3,177
Deputy Mayor's Communication Allowance	3,500	3,500	4,536
Deputy Mayor's Other Allowances	0	0	227
	<u>58,969</u>	<u>58,969</u>	<u>71,306</u>
All other Council Member's Sitting Fees	227,290	227,290	211,851
All other Council Member's Travelling Allowance	10,584	0	3,923
All other Council Member's Communication Allowance	24,500	24,500	23,407
All other Council Member's Other Allowances	294	0	996
	<u>262,668</u>	<u>251,790</u>	<u>240,177</u>
Balance of allowances to be allocated upon claims	0	15,903	0
21(b)	<u>466,354</u>	<u>470,863</u>	<u>451,916</u>

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Notes to and Forming Part of the Financial Report

21. Related Party Transactions (Continued)

(b) Key Management Personnel (KMP) Compensation

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

	2023	2022
	Actual	Actual
	\$	\$
Short-term Employee Benefits	1,181,915	1,140,011
Post-employment Benefits	125,446	126,502
Employee - Other Long-term Benefits	77,765	109,532
Employee - Termination Benefits	0	0
Council Member Costs	21(a) 466,354	451,916
	<u>1,851,480</u>	<u>1,827,961</u>

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP.

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

(c) Transactions with Related Parties

Transactions between related parties and the City are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2023	2022
	Actual	Actual
	\$	\$
Purchase of goods and services	310,000	55,000
Payment of Council member costs (Refer to Note 21(b))	466,354	451,916

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Notes to and Forming Part of the Financial Report

21. Related Party Transactions (Continued)

The City's main related parties are as follows:

i Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel and are detailed in Notes 21 (a) and (b).

ii Other Related Parties

An associate person of KMP employed by the City under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity of the entity, directly or indirectly, are considered related parties in relation to the City.

iii Entities subject to significant influence by the City

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

22. Joint Arrangements

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

City of Busselton

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Notes to and Forming Part of the Financial Report

23. Financial Risk Management

This note explains the City's exposure to financial risks and how these risks could affect the City's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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 finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. The Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest Rate Risk

Cash and Cash Equivalents

The City's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the City to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the City to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
	%	\$	\$	\$	\$
2023					
Cash and Cash Equivalents	4.00%	21,032,276	0	21,010,331	21,945
Financial Assets at Amortised Cost – Term Deposits	4.64%	94,500,000	94,500,000	0	0
2022					
Cash and Cash Equivalents	0.80%	23,655,454	7,172,965	16,460,644	21,845
Financial Assets at Amortised Cost – Term Deposits	1.40%	74,500,000	74,500,000	0	0

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(a) Interest Rate Risk (Continued)

Cash and Cash Equivalents (Continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2023 Actual	2022 Actual
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	210,103	164,606

* Holding all other variables constant

Borrowings

Borrowings are 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 City does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 30.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(b) Credit Risk

Trade and Other Receivables

The City's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. 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.

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

The City applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, receivables from grants, contributions and reimbursements are separated from other trade receivables due to the difference in payment terms and security.

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2022 or 1 July 2023 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of users to settle the receivables.

The loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows for trade and other receivables.

	Less than 1 year past due	More than 1 year past due	More than 2 year past due	More than 3 year past due	Total
30 June 2023					
Rates receivable					
Expected credit loss	0%	0%	0%	0%	
Gross carrying amount	838,611	93,808	40,672	84,976	1,058,067
Loss allowance	0	0	0	0	0
Trade and other receivables					
Expected credit loss	0%	0.01%	0.05%	0.06%	
Gross carrying amount	2,185,593	152,143	136,656	5,698	2,480,090
Loss allowance	0	11	66	3	80
30 June 2022					
Rates receivable					
Expected credit loss	0%	0%	0%	0%	
Gross carrying amount	747,486	236,682	120,561	(87,090)	1,017,639
Loss allowance	0	0	0	0	0
Trade and other receivables					
Expected credit loss	0.01%	0.05%	0.06%	0.00%	
Gross carrying amount	2,449,091	0	66,204	0	2,515,295
Loss allowance	178	0	40	0	218

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(c) Liquidity Risk

Payables and Borrowings

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 and disclosed in Note 18(c).

The contractual undiscounted cash flows of the City’s payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying Values \$
<u>2023</u>					
Payables	8,873,525	0	0	8,873,525	8,873,525
Borrowings	6,309,548	23,067,621	31,082,215	60,459,384	48,004,633
Lease Liability	117,396	72,872	0	190,268	190,268
	<u>15,300,469</u>	<u>23,140,493</u>	<u>31,082,215</u>	<u>69,523,177</u>	<u>57,068,426</u>
<u>2022</u>					
Payables	8,670,757	0	0	8,670,757	8,670,757
Borrowings	5,948,457	22,455,912	28,421,553	56,825,922	46,174,937
Lease Liability	337,904	117,085	0	454,989	441,694
	<u>14,957,118</u>	<u>22,572,997</u>	<u>28,421,553</u>	<u>65,951,668</u>	<u>55,287,388</u>

24. Events occurring after the end of the reporting period

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

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Current and non-current classification

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 or non-current based on the City's intentions to release for sale.

c) Rounding off figures

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

d) 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 statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented

e) 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.

f) 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.

g) Fair value of assets and liabilities

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).

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.

h) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

25. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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 the service capacity of an asset.

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.

j) 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.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

26. Function and Activity

(a) Service objectives and descriptions

City operations as disclosed in these financial statements encompass the following service orientated functions and activities.

<u>Objectives</u>	<u>Description</u>
<p>General Purpose Funding To collect revenue to allow for the provision of services.</p>	Rates, other general purpose government grants, and interest revenue.
<p>Governance To provide decision making process for the efficient allocation of scarce resources.</p>	Includes the activities of members of Council and the administrative support available to the Council for the provision of governance to the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific local government services.
<p>Law, Order and Public Safety To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various by-laws, fire prevention, animal control and emergency services. Local government also provides assistance to surf lifesaving efforts.
<p>Health To provide an operational framework for environmental and community health.</p>	Inspections of food outlets and their control, noise control, waste disposal compliance, mosquitoes and stingers control.
<p>Education and Welfare To provide services for the elderly, children and youth.</p>	Annual donation to the operation of a Senior Citizen's Centre.
<p>Housing To provide and maintain elderly residents housing.</p>	The operation of three sets of elderly residents homes.
<p>Community Amenities To provide services required by the community.</p>	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 the Town Planning Scheme and associated policies and obligations.
<p>Recreation and Culture To establish and effectively manage infrastructure and resources which will help the social well-being of the community.</p>	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.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

26. Function and Activity (Continued)

(a) Service objectives and descriptions (Continued)

Objectives (Continued)

Description (Continued)

Transport

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

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

To help promote the City and its economic wellbeing.

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

To monitor and control Council's overheads operating accounts.

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

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

26. Functions and Activities (Continued)

(b) Income and Expenses

	2023	2022
	Actual	Actual
	\$	\$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
General Purpose Funding	61,655,923	55,645,773
Governance	20,735	528,433
Law, Order & Public Safety	234,416	212,906
Health	713,531	606,494
Education and Welfare	26,887	214
Housing	541,123	528,687
Community Amenities	10,699,302	10,654,214
Recreation and Culture	3,304,485	3,052,761
Transport	4,837,304	3,013,596
Economic Services	2,965,408	2,408,917
Other Property and Services	79,843	321,777
	<u>85,078,957</u>	<u>76,973,772</u>
Grants, subsidies and contributions and capital grants, subsidies and contributions		
General Purpose Funding	3,595,936	3,207,562
Governance	109,842	208,375
Law, Order & Public Safety	1,172,987	1,686,280
Health	75,111	101,303
Education and Welfare	218,953	8,723
Housing	3,740	4,321
Community Amenities	266,882	986,821
Recreation and Culture	14,475,482	6,845,688
Transport	11,142,971	17,415,929
Economic Services	53,477	19,390
Other Property and Services	351,313	483,681
	<u>31,466,694</u>	<u>30,968,073</u>
Total Income	<u>116,545,651</u>	<u>107,941,845</u>
Expenses		
General Purpose Funding	(1,239,092)	(1,507,571)
Governance	(6,342,511)	(8,297,705)
Law, Order & Public Safety	(3,032,514)	(3,518,190)
Health	(1,391,558)	(1,377,970)
Education and Welfare	(743,946)	(188,420)
Housing	(347,468)	(617,476)
Community Amenities	(20,993,664)	(14,488,180)
Recreation and Culture	(30,610,092)	(25,628,552)
Transport	(28,120,200)	(25,319,862)
Economic Services	(4,621,784)	(3,841,238)
Other Property and Services	(3,674,886)	(1,585,985)
Total Expenses	<u>(101,117,715)</u>	<u>(86,371,149)</u>
Net Result for the Period	<u>15,427,936</u>	<u>21,570,696</u>

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

26. Functions and Activities (Continued)

(c) Total Assets Classified by Function and Activity

	2023	2022
	Actual	Actual
	\$	\$
General Purpose Funding	3,825,807	2,683,446
Governance	30,184,471	31,248,508
Law, Order & Public Safety	8,460,478	8,495,541
Health	354,463	229,369
Education and Welfare	2,376,524	2,324,952
Housing	5,675,859	5,292,759
Community Amenities	45,157,346	47,496,302
Recreation and Culture	236,258,073	216,747,332
Transport	603,251,520	598,231,912
Economic Services	6,348,170	5,055,635
Other Property and Services	13,598,828	14,992,097
Unallocated	26,886,986	25,854,250
	<u>982,378,525</u>	<u>958,652,103</u>

City of Busselton

Financial Report

For the Year Ended 30 June 2023

Notes to and Forming Part of the Financial Report

27. Prior Period Corrections

1. After conducting an internal review of all City owned buildings it was identified that City does not have ownership or control over some third party buildings (leasehold improvements on land that is leased to community groups, that has not yet ceded to the City) to the value of \$6,637,501. An adjustment was made to remove this value of the buildings (adjusted for depreciation) from the City's accounts, to ensure compliance with accounting standard AASB 116.
2. After conducting an Internal review of all City owned land, it was identified that the City held on its asset register an incorrectly classified freehold land parcel, valued at \$710,000 that no longer belongs to the City (Lot 121 Kent Street), and was disposed of in prior periods. This was made up of the initial overstatement of land on the City's accounts (offset by the asset revaluation reserve), for sold portion, of \$429,075 (2021/22), plus the subsequent ceding of the remaining portion of the land to the State being \$280,925 in 2022/23.

	Ref	As reported previously \$	Adjustment \$	Restated* \$
1 July 2021				
<u>Statement of Financial Position</u>				
Non-current Assets				
Property, Plant and Equipment	1	135,213,353	(1,153,015)	134,060,338
Equity				
Retained Surplus	1	461,812,090	231,112	462,043,202
Revaluation Surplus	1	224,325,697	(1,384,127)	222,941,570
30 June 2022				
<u>Statement by Comprehensive Income</u>				
Depreciation on Non-Current Assets	1	(24,526,198)	22,858	(24,503,340)
<u>Statement of Financial Position</u>				
Non-current Assets				
Property, Plant and Equipment	1,2	198,219,172	(7,043,717)	191,175,455
Equity				
Retained Surplus	1	475,096,147	253,970	475,350,117
Revaluation Surplus	1,2	341,293,790	(7,297,687)	333,996,103

* Restated for correction of prior period errors relating to City owned land and buildings.

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

**28. Rating Information – 2022/23 Financial Year
(a) Rates**

Rate Type	Rate In \$	Number of Properties #	Actual Rateable Value \$	Actual Rate Revenue \$	Interim Rates \$	Actual Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
GRV-Residential	0.082183	14,403	337,747,416	27,757,103	379,490	28,136,593	27,757,020	0	27,757,020
GRV-Residential Holiday Homes	0.091254	779	19,544,720	1,783,530	103,374	1,886,904	1,783,530	0	1,783,530
GRV-Industrial	0.114991	460	22,968,105	2,641,123	28,568	2,669,691	2,641,123	0	2,641,123
GRV-Commercial	0.108007	1,320	80,759,071	8,722,538	(303)	8,722,235	8,722,538	0	8,722,538
GRV-Residential Vacant	0.082183	226	7,748,140	636,764	136,492	773,256	636,764	0	636,764
GRV-Industrial Vacant	0.114991	45	1,154,500	132,757	(5,345)	127,412	132,757	0	132,757
GRV-Commercial Vacant	0.108007	55	2,912,852	314,608	(73,733)	240,875	314,608	0	314,608
UV-Holiday Home	0.003862	111	61,421,000	237,207	(117,570)	119,637	237,207	0	237,207
UV-Primary Production	0.004065	743	669,091,000	2,719,853	(35,077)	2,684,776	2,719,853	0	2,719,853
UV-Rural	0.003961	1,425	843,259,000	3,340,143	63,091	3,403,234	3,340,143	0	3,340,143
UV-Commercial	0.007483	156	109,393,000	818,588	(2,594)	815,994	818,588	0	818,588
Interim Rates								743,689	743,689
Sub-Totals		19,723	2,155,998,804	49,104,131	476,393	49,580,607	49,104,131	743,689	49,847,820
Minimum \$									
Minimum Differential General Rate									
GRV-Residential	1,460	1,436	23,839,280	2,096,560	0	2,096,560	2,096,560	0	2,096,560
GRV-Residential Holiday Homes	1,517	30	477,360	45,510	0	45,510	45,510	0	45,510
GRV-Industrial	1,460	19	198,132	27,740	0	27,740	27,740	0	27,740
GRV-Commercial	1,460	640	5,381,589	934,400	0	934,400	934,400	0	934,400
GRV-Residential Vacant	1,460	1,188	9,529,470	1,734,480	0	1,734,480	1,734,480	0	1,734,480
GRV-Industrial Vacant	1,460	0	0	0	0	0	0	0	0
GRV-Commercial Vacant	1,460	54	368,340	78,840	0	78,840	78,840	0	78,840
UV-Holiday Home	1,754	63	25,737,000	110,502	0	110,502	110,502	0	110,502
UV-Primary Production	1,460	257	68,382,500	375,220	0	375,220	375,220	0	375,220
UV-Rural	1,594	1,005	259,687,700	1,601,970	0	1,601,970	1,601,970	0	1,601,970
UV-Commercial	1,460	90	4,873,769	131,400	0	131,400	131,400	0	131,400
Sub-Totals		4,782	398,475,140	7,136,622	0	7,136,622	7,136,622	0	7,136,622
Other Adjustments						119,175			127,140
Total Amount Raised from General Rates						56,836,404			57,111,582
Specified Area Rate (refer note 28(b))						634,124			629,826
Totals						57,470,528			57,741,408

City of Busselton

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For the Year Ended 30 June 2023

28(b) Specified Area Rate

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Port Geographe							
• Rate	0.013492	GRV	17,613,802	237,645	237,645	237,645	237,645
• Interim Rate				2,495	0	2,495	0
				240,140	237,645	240,140	237,645

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Provence							
• Rate	0.012309	GRV	16,053,490	197,603	197,603	197,603	197,603
• Rate	0.000144	UV	5,505,000	793	793	793	793
• Interim Rate				414	0	414	0
				198,810	198,396	198,810	198,396

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse							
• Rate	0.015269	GRV	12,691,480	193,785	193,785	193,785	193,785
• Interim Rate				1,388	0	1,388	0
				195,173	193,785	195,173	193,785

The purpose of the Specified Area Rates is disclosed in note 31 "Purpose of Reserves".

28(c) Service Charges

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

City of Busselton

Financial Report

For the Year Ended 30 June 2023

28(d) Discounts, incentives, Concessions & Write-offs

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Other	Adjustment	0	89	127,140
Write-offs	Write-off	0	5,811	0
			5,900	127,140

28(e). Interest Charges and Instalments

Instalment options	Date due	Instalment plan admin charge \$	Instalment plan interest rates %	Unpaid rates interest rates %
OPTION ONE Single full payment	16/09/2022	0	0.0%	7.0%
OPTION TWO (Four equal or near equal bi-monthly instalments)				
First instalment	16/09/2022	0	5.5%	7.0%
Second instalment	16/11/2022	6.30	5.5%	7.0%
Third instalment	16/01/2023	6.30	5.5%	7.0%
Fourth instalment	16/03/2023	6.30	5.5%	7.0%
OPTION THREE 40 equal or near equal weekly instalments				
First payment date	16/09/2022	31.30	5.5%	7.0%
OPTION FOUR 20 equal or near equal fortnightly instalments				
First payment date	16/09/2022	26.20	5.5%	7.0%
OPTION FIVE 10 equal or near equal monthly instalments				
First payment date	16/09/2022	21.10	5.5%	7.0%

	Actual Revenue 2023 \$	Budgeted Revenue 2022 \$
Interest on Unpaid Rates	159,144	150,000
Interest on Instalments Plan	304,400	259,250
Charges on Instalment Plan	119,489	122,966
	583,033	532,216

City of Busselton

Financial Report

For the Year Ended 30 June 2023

28(e) Interest Charges and Instalments (Continued)

Five 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 16th September 2022 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 16th September 2022 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 16th September 2022
- 2nd Instalment 16th November 2022
- 3rd Instalment 16th January 2023
- 4th Instalment 16th March 2023

OPTION THREE

40 equal or near equal weekly instalments

OPTION FOUR

20 equal or near equal fortnightly instalments

OPTION FIVE

10 equal or near equal monthly instalments

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer.

Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the City recognises revenue for the prepaid rates that have not been refunded.

City of Busselton

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29 Determination of Surplus or Deficit

	Note	2022/23 Actual (30 June 23 Carried Forward) \$	2022/23 Budget (30 June 23 Carried Forward) \$	2021/22 Actual (Restated)* (30 June 22 Carried Forward) \$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with Financial Management Regulation 32.				
Adjustments to operating activities				
Less: Profit on asset disposals		(200,266)	(23,632)	(68,489)
Add: Loss on disposal of assets		346,370	45,550	748,170
Less: Fair value adjustments to financial assets at fair value through profit and loss		(6,450)	0	(935,915)
Add: Depreciation on non-current assets	10(a)	26,481,887	27,439,900	24,503,340
Non-cash Movements in Non-Current Assets and Liabilities				
Less: Movement in finance leases		(47,238)	0	0
Movement in Long Term Debt		(89,134)	0	0
Movement in pensioner deferred rates (non-current)	5	(49,037)	0	(16,835)
Movement in employee benefit provisions	15	(69,787)	0	314,699
Movement in Other provisions	16	6,504,000	0	(430,000)
Movement Other		(279,530)	0	0
Non cash amounts excluded from operating activities		32,590,815	27,461,818	24,114,970
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with Financial Management Regulation 32.				
Non-cash grants and contributions for assets	2	(5,204,907)	(5,740,000)	(12,518,962)
Movement in liabilities associated with restricted cash		2,037,309	0	1,452,003
Non cash amounts excluded from investing activities		(3,167,598)	(5,740,000)	(11,066,959)
(c) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with Financial Management Regulation 32 to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves/ Restricted Cash	3	(113,819,130)	(73,739,212)	(98,125,758)
Less: Financial assets at amortised cost - self-supporting loans	4(a)	(182,579)	(189,475)	(177,873)
Less: Other Assets	7(a)	(483,906)	(350,000)	(367,384)
Less - Current portion of lease receivables	5.1	(309,426)	(300,000)	(230,175)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14	4,620,953	4,500,000	4,330,300
- Current portion of contract liability held in reserve/ restricted cash	13.1	1,266,220	2,000,000	1,603,261
- Current portion of grant liability held in reserve/ restricted cash	13.2	984,500	800,000	1,396,224
- Current portion of deposits and bonds held in restricted cash	12	4,092,033	4,069,438	4,069,438
- Current portion of lease liabilities	11(b)	117,396	114,652	253,212
- Current portion of employee benefit provisions	15	5,885,190	5,884,972	5,911,973
- Current portion of other provisions	16	6,504,000	0	0
Total adjustments to net current assets		(91,324,749)	(57,209,625)	(81,336,782)
Net current assets used in the Statement of Financial Activity				
Total current assets		121,531,694	78,438,212	103,844,316
Less: Total current liabilities		(28,251,784)	(20,892,749)	(22,165,726)
Less: Total adjustments to net current assets		(91,324,749)	(57,209,625)	(81,336,782)
Net current assets used in the Statement of Financial Activity		1,955,161	335,838	341,808

* Restated - refer to note 27 for correction of prior period errors relating to City owned land and buildings.

**City of Bussetton
Financial Report**

For the Year Ended 30 June 2023

30. (a)	Borrowings and Lease Liabilities Borrowings Particulars	Borrowing Institution	Int. %	Maturity Date	Principal 1 July 2022	New Loans		Principal Repayment		Principal		Interest Repayment	
						2022/23 Budget	2022/23 Actual	2022/23 Budget	2022/23 Actual	2022/23 Budget	2022/23 Actual	2022/23 Budget	2022/23 Actual
C	Administration Loan #207 Civic and Administration Centre	WATC	4.51	06/34	12,595,043	0	0	810,406	810,406	11,784,637	11,784,637	554,459	554,359
C	Recreation & Culture Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	63,421	0	0	63,421	63,421	0	0	1,585	1,579
C	Loan #204 Bussetton Foreshore	WATC	4.36	06/29	604,663	0	0	75,559	75,559	529,104	529,104	25,139	25,130
C	Loan #205 GLC Extensions	WATC	3.92	06/24	279,840	0	0	137,181	137,181	142,649	142,649	8,969	8,955
S	Loan #208 Bussetton Football & Sportsman's Club	WATC	2.93	04/25	9,705	0	0	3,141	3,141	6,564	6,564	250	250
C	Loan #209 Bussetton Foreshore	WATC	3.56	06/27	3,061,200	0	0	569,628	569,628	2,491,572	2,491,572	101,430	101,375
C	Loan #210 Bussetton Foreshore	WATC	2.55	10/24	1,003,817	0	0	393,889	393,889	609,928	609,928	21,851	20,158
S	Loan #211 Bussetton Foreshore	WATC	3.04	05/27	61,291	0	0	11,530	11,530	49,761	49,761	1,719	1,719
S	Loan #212 Dunsborough and Districts Country Club	WATC	3.04	05/27	53,764	0	0	10,114	10,114	43,650	43,650	1,558	1,508
S	Loan #213 Geopraphe Bay Yacht Club	WATC	3.19	09/27	64,777	0	0	10,955	10,955	53,822	53,822	1,889	1,889
S	Loan #214 Dunsborough & Districts Country Club	WATC	3.19	09/27	64,777	0	0	10,955	10,955	53,822	53,822	1,889	1,889
C	Loan #215 Bussetton Foreshore Jetty Precinct	WATC	3.25	04/28	1,595,479	0	0	244,951	244,951	1,350,528	1,350,528	49,879	48,465
C	Loan #216 Tennis Club Facilities	WATC	3.25	04/28	1,755,027	0	0	269,446	269,446	1,485,581	1,485,581	54,867	53,311
C	Loan #217 Lot 10 Commonage Road	WATC	3.25	04/28	1,021,107	0	0	156,769	156,769	864,338	864,338	31,923	31,018
C	Loan #218 Bussetton Tennis Club	WATC	2.21	06/29	906,314	0	0	121,072	121,072	785,242	785,242	19,031	19,024
S	Loan #220 Bussetton Tennis Club	WATC	1.37	09/26	30,889	0	0	7,107	7,107	23,782	23,782	387	387
S	Loan #221 Bussetton Hockey Club Stadium	WATC	1.31	06/30	36,517	0	0	4,358	4,358	32,159	32,159	457	457
S	Loan #222 Bussetton Golf Club	WATC	1.45	06/31	99,703	0	0	10,447	10,447	89,256	89,256	1,390	1,390
S	Loan #223 Dunsborough Bay Yacht Club	WATC	1.57	12/26	22,587	0	0	4,883	4,883	17,704	17,704	325	325
S	Loan #224 Geopraphe Bay Yacht Club	WATC	2.42	12/31	47,176	0	0	4,530	4,530	43,246	43,246	1,114	1,114
S	Loan #225 Performing Arts/Convention Centre	WATC	2.10	12/31	4,774,076	0	0	459,004	459,004	4,315,072	4,315,072	96,611	96,584
C	Loan #226 Performing Arts/Convention Centre	WATC	2.39	12/36	4,860,472	0	0	284,085	284,085	4,576,387	4,576,387	113,418	113,399
C	Loan #New Community Groups	Unknown	2.77	06/32	0	250,000	0	0	0	238,997	238,997	1,915	1,915
S	Loan #227 MIRSTA - Ancient Lands Discovery Park	WATC	2.77	03/32	1,222,773	0	0	110,807	110,807	1,111,966	1,111,966	32,742	32,733
C	Loan #228 Performing Arts/Convention Centre	WATC	3.86	06/42	5,000,000	0	0	169,393	169,393	4,830,607	4,830,607	190,515	190,496
C	Loan #229 Performing Arts/Convention Centre	WATC	3.77	05/39	5,000,000	0	0	214,251	214,251	4,785,749	4,785,749	185,387	185,365
C	Loan #230 Performing Arts/Convention Centre	WATC	4.42	12/42	0	6,500,000	0	175,426	102,483	6,324,574	6,324,574	157,020	163,944
C	Transport Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	81,620	0	0	40,014	40,014	41,606	41,606	2,616	2,612
C	Loan #219 Air Freight Hub Stage 1	WATC	2.21	06/29	1,073,077	0	0	143,350	143,350	929,726	929,726	22,532	22,524
C	Other Property and Services Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	850,000	0	0	0	0	850,000	850,000	30,685	30,685
	Total - Council and Self-supporting Loans				46,174,988	6,790,000	6,500,000	4,517,530	4,432,783	48,407,607	48,262,155	1,711,811	1,710,755
C	Council Loans are financed by general purpose revenue.				44,525,156	6,500,000	6,500,000	4,327,854	4,254,910	46,697,301	46,770,245	1,667,916	1,668,983
S	Self-supporting Loans are financed by payments from third parties.				1,649,782	250,000	0	189,476	177,873	1,710,306	1,471,910	43,895	41,772
					46,174,988	6,790,000	6,500,000	4,517,530	4,432,783	48,407,607	48,262,155	1,711,811	1,710,755

City of Busselton

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For the Year Ended 30 June 2023

30. Borrowings and Lease Liabilities (continued)

(b) New Borrowings – 2022/23

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #230 Performing Arts/Convention Centre	6,500,000	6,500,000	WATC	Debenture	20 Years	9,847,577	4.4237%	0	6,500,000	6,500,000
Loan #New Community Groups	0	250,000	Unknown	Debenture	10 Years	0	0.0000%	0	250,000	0
	6,500,000	6,750,000				9,847,577		0	6,750,000	6,500,000

(c) Unspent Borrowings

Particulars / Purpose	Date Borrowed	Balance 30 June 2022 \$	Borrowed During Year \$	Adjustment * \$	Expended During Year \$	Balance 30 June 2023 \$
Loan #216 Tennis Club Facilities	27 th April 2018	49,341	0	0	0	49,341
Loan #225 Performing Arts/Convention Centre	25 th January 2022	0	0	240,252	0	240,252
Loan #226 Performing Arts/Convention Centre	25 th January 2022	4,317,036	0	682,964	0	5,000,000
Loan #228 Performing Arts/Convention Centre	28 th April 2022	5,000,000	0	0	0	5,000,000
Loan #229 Performing Arts/Convention Centre	28 th April 2022	5,000,000	0	0	0	5,000,000
Loan #230 Performing Arts/Convention Centre	06 th December 2022	0	6,500,000	0	0	6,500,000
		14,366,377	6,500,000	972,557	0	21,789,593

* Adjustment relates to loan funds returned to restricted loan account as grants are received and utilised in precedence to borrowings.

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

Risk

Information regarding exposure to risk can be found at Note 23.

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

30 – Borrowing and Lease Liability (Continued)

30 (d) Lease Liabilities (Continued)

Lease Number	Institution	Lease Interest Rate	Lease Term	Actual Principal 1 July 2021	2021/22 Actual New Leases	2021/22 Actual Lease principal Repayments	Actual Lease outstanding 30 June 2022	2021/22 Actual Lease Interest Repayments	Actual Lease Principal 1 July 2022	2022/23 Actual New Leases	2022/23 Actual Lease principal Repayments	Actual Lease outstanding 30 June 2023	2022/23 Actual Lease Interest Repayments	Budget Lease Principal 1 July 2022	2022/23 Budget New Leases	2022/23 Budget Lease principal Repayments	Budget Lease outstanding 30 June 2023	2022/23 Budget Lease Interest Repayments
E6N0159996	Mela	7.9491 %	5 years	1,353	0	1,353	0	54	17,002	0	0	0	0	17,002	0	0	0	0
E6N0160249	Mela	5.8375	5 years	82,602	0	65,600	17,002	3,403	84,625	0	17,002	0	248	17,002	0	17,002	0	248
E6N0160583	Mela	5.1511	6 years	137,539	0	52,814	84,625	6,074	84,625	0	55,692	28,933	3,295	84,625	0	55,692	28,933	3,295
E6N0160915	Mela	7.6138	4.75 years	6,210	0	4,519	2,391	399	2,391	0	2,391	0	68	2,391	0	2,391	0	68
E6N0161070	Mela	6.9693	5 years	20,962	0	11,667	9,295	1,160	9,295	0	9,295	0	326	9,295	0	9,295	0	326
E6N0162083	Mela	-0.0007	4 years	110,552	0	88,442	22,110	-1	22,110	0	22,110	0	0	22,110	0	22,110	0	0
E6N0162088	Mela	0.8970	4 years	78,504	0	52,218	26,286	529	26,286	0	26,286	0	88	26,286	0	26,286	0	88
E6N0162334	Mela	5.2189	5 years	210,889	0	73,231	137,658	9,588	137,658	0	77,129	60,529	5,691	137,658	0	77,129	60,529	5,691
E6N0162368	Mela	2.2722	5 years	90,307	0	32,490	58,117	1,779	58,117	0	32,927	25,190	1,041	58,117	0	32,927	25,190	1,041
E6N0162405	Mela	3.4055	3.75 years	24,019	0	15,877	8,142	617	8,142	0	8,142	0	104	8,142	0	8,142	0	104
66679257	Capital	8.4332	5 years	91,190	0	91,190	0	4857	0	0	0	0	0	0	0	0	0	0
				854,827	0	489,201	365,626	28,659	365,626	0	250,974	114,652	10,861	365,626	0	250,974	114,652	10,861

**City of Busselton
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31. Reserves – Cash/ Financial Asset Backed

	2022/23 Actual			2022/23 Budget			2021/22 Actual					
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	
Restricted by Legislation/Agreement												
Busselton Area Drainage and Waterways Improvement Reserve	130,608	3,951	0	134,559	130,608	1,362	0	131,970	448,845	1,638	(319,875)	130,608
Commonage Community Facilities Dunsborough Lakes South Reserve	74,507	2,489	0	76,996	74,507	1,738	0	76,245	74,232	275	0	74,507
Commonage Community Facilities South Biddle Precinct Reserve	908,566	30,361	0	938,927	908,566	21,197	0	929,763	905,216	3,350	0	908,566
Commonage Precinct Bushfire Facilities Reserve	58,747	1,963	0	60,710	58,747	1,371	0	60,118	58,590	217	0	58,747
Commonage Precinct Infrastructure Road Reserve	818	27	0	845	818	18	0	836	236,349	469	(236,000)	818
Community Facilities - Airport North	3,176,664	106,213	0	3,282,877	3,176,664	192,569	0	3,369,233	3,164,953	11,711	0	3,176,664
Community Facilities - Broadwater	197,733	77,599	0	275,332	197,733	20,561	0	218,294	185,047	12,686	0	197,733
Community Facilities - Busselton	71,707	30,223	0	101,930	75,058	22,985	0	98,043	39,788	35,270	(3,351)	71,707
Community Facilities - City District	1,083,900	375,597	(138,963)	1,320,534	1,116,044	465,862	(766,996)	814,910	1,295,065	422,344	(633,509)	1,083,900
Community Facilities – Dunsborough	465,446	57,807	0	523,253	465,446	40,193	0	505,639	334,282	131,164	0	465,446
Community Facilities - Dunsborough Lakes Estate	712,435	187,950	0	900,385	712,435	165	(423,111)	289,489	943,223	3,216	(234,004)	712,435
Community Facilities - Geographe	137,436	18,750	0	156,186	139,274	13,550	0	152,824	114,007	25,268	(1,839)	137,436
Community Facilities - Port Geographe	352,422	11,777	0	364,199	352,422	8,222	0	360,644	351,123	1,299	0	352,422

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

	2022/23 Actual			2022/23 Budget			2021/22 Actual					
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$
Restricted by Legislation/Agreement Community Facilities - Vasse	175,153	7,860	(75,000)	108,013	175,153	8,575	(275,000)	(91,272)	174,754	399	0	175,153
Jetty Reserve	6,320,302	1,637,746	(612,312)	7,345,736	6,320,302	1,603,676	(794,748)	7,129,230	5,682,364	1,370,882	(732,944)	6,320,302
Jetty Self Insurance Reserve	573,410	99,347	0	672,757	573,410	91,673	0	665,083	495,086	78,324	0	573,410
Joint Venture Aged Housing Reserve (Harris/ Winderlup)	1,491,225	252,823	(87,317)	1,656,731	1,491,225	217,410	(37,823)	1,670,812	1,363,306	177,587	(49,668)	1,491,225
Locke Estate Reserve	6,588	164,606	0	171,194	6,588	153	0	6,741	6,458	61,130	(61,000)	6,588
Port Geographe Waterways Management (SAR) Reserve	3,060,603	348,076	(357,630)	3,051,049	3,060,603	305,385	(390,547)	2,975,441	3,168,297	239,520	(347,214)	3,060,603
Providence Landscape Maintenance (SAR) Reserve	1,323,560	247,699	(46,429)	1,524,830	1,323,560	222,894	(152,251)	1,394,203	1,254,363	195,667	(126,470)	1,323,560
Public Art Reserve	249,544	23,389	0	272,933	46,666	1,091	0	47,757	46,526	203,018	0	249,544
Vasse Newtown Landscape Maintenance (SAR) Reserve	668,099	220,694	(273,597)	615,196	668,099	205,915	(340,536)	533,478	667,371	189,846	(189,118)	668,099
Post Office Tea Rooms	0	121,028	(72,952)	48,076	0	121,028	(121,028)	0	0	0	0	0

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Financial Report**

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

	2022/23 Actual			2022/23 Budget			2021/22 Actual					
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	
Restricted by Council												
Airport Existing Terminal Building Reserve	323,125	147,387	(14,129)	456,383	323,125	141,000	(36,787)	427,338	206,250	122,504	(5,629)	323,125
Airport Marketing and Incentive Reserve	6,385,899	503,101	(1,983,619)	4,895,381	6,385,899	431,717	(3,349,358)	3,468,258	5,287,408	1,644,004	(545,513)	6,385,899
Barnard Park Sports Pavilion Building Reserve	105,989	40,675	(31,633)	115,031	105,989	38,839	0	144,828	71,950	34,039	0	105,989
Building Asset Renewal Reserve – General Building	2,691,453	975,107	(277,226)	3,389,334	2,691,453	913,853	(538,846)	3,066,460	2,093,333	812,691	(214,571)	2,691,453
Bussetton Community Resource Centre Reserve	422,705	121,432	(12,676)	531,461	422,705	113,762	(20,000)	516,467	324,999	97,706	0	422,705
Bussetton Foreshore Reserve	12,689	426	0	13,115	12,689	296	0	12,985	111	12,578	0	12,689
Bussetton Jetty Tourist Park Reserve	1,241,104	932,862	(202,002)	1,971,964	1,241,104	423,025	(553,603)	1,110,526	636,808	774,664	(170,368)	1,241,104
Bussetton Library Building Reserve	88,926	66,584	0	155,510	88,926	63,993	(9,224)	143,695	57,065	57,364	(25,503)	88,926
CBD Enhancement Reserve	1,333,422	73,095	(1,397,321)	9,196	1,333,422	63,900	(1,298,490)	98,832	1,269,967	567,097	(503,642)	1,333,422
Cemetery Reserve	241,999	130,040	(6,485)	365,554	241,999	120,810	(108,787)	254,022	99,547	175,165	(32,713)	241,999
City Car Parking and Access Reserve	1,213,888	419,553	(196,759)	1,436,682	1,213,888	181,763	(111,687)	1,283,964	792,732	938,447	(517,291)	1,213,888
Civic and Administration Building Reserve	497,009	460,288	(56,835)	900,462	497,009	443,129	(100,000)	840,138	670,359	342,853	(516,203)	497,009
Coastal and Climate Adaptation Reserve	566,910	1,206,195	(578,285)	1,194,820	566,910	1,167,793	(1,475,332)	259,371	1,503,542	858,810	(1,795,442)	566,910

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

	2022/23 Actual			2022/23 Budget			2021/22 Actual					
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	
Restricted by Council												
Corporate IT Systems Reserve	378,520	150,026	(198,681)	329,865	378,520	145,612	(450,000)	74,132	328,722	264,514	(214,716)	378,520
Debt Default Reserve	102,371	3,421	(105,792)	0	102,371	2,402	0	104,773	501,841	530	(400,000)	102,371
Election, Valuation and Other Corporate Expenses Reserve	254,331	154,985	(7,875)	401,441	254,331	148,744	(80,000)	323,075	715,027	142,691	(603,387)	254,331
Emergency Disaster Recovery Reserve	74,954	22,909	0	97,863	74,954	23,162	0	98,116	114,793	20,823	(60,662)	74,954
Energy Sustainability Reserve	168,406	115,941	(37,123)	247,224	168,406	111,127	(133,234)	146,299	224,270	105,954	(161,818)	168,406
Footpath/ Cycle Ways Reserve	1,246,637	1,341,403	(861,576)	1,726,464	1,246,637	1,282,478	(1,222,208)	1,306,907	838,835	1,245,095	(837,293)	1,246,637
Furniture and Equipment Reserve	516,181	127,829	(160,854)	483,156	516,181	116,843	(578,096)	54,928	332,483	443,442	(259,744)	516,181
Geographic Leisure Centre Building Reserve	314,127	331,012	(412,670)	232,469	314,127	318,872	(423,934)	209,065	119,033	290,940	(95,846)	314,127
Legal Expenses Reserves	638,294	21,284	(80,000)	579,578	638,294	12,603	0	650,897	671,629	2,326	(35,661)	638,294
Long Service Leave Reserve	4,054,581	660,816	(774,726)	3,940,671	4,054,581	533,332	(668,304)	3,919,609	3,653,494	929,736	(528,649)	4,054,581
Major Traffic Improvements Reserve	1,184,734	391,765	(1,743)	1,574,756	1,184,734	367,344	(694,941)	857,137	237,210	1,138,233	(190,709)	1,184,734
Marketing and Area Promotion Reserve	655,703	1,365,779	(1,627,984)	393,498	655,703	1,337,940	(1,745,548)	248,095	522,266	1,397,678	(1,264,241)	655,703
Naturaliste Community Centre Building (NCC) Reserve	170,089	79,811	(15,957)	233,943	170,089	74,702	(121,000)	123,791	129,592	67,151	(26,654)	170,089

**City of Busselton
Financial Report**

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

	2022/23 Actual				2022/23 Budget				2021/22 Actual			
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$
Restricted by Council												
New Infrastructure Development Reserve	723,694	32,691	0	756,385	723,694	6,026	(503,487)	226,233	884,968	11,513	(172,787)	723,694
Other Infrastructure Reserves	403,731	782,904	(464,767)	721,868	403,731	766,236	(772,776)	397,191	538,847	364,368	(499,484)	403,731
Parks, Gardens and Reserves Reserve	633,227	1,355,025	(638,915)	1,349,337	633,227	1,313,573	(1,704,184)	242,616	749,657	1,475,845	(1,592,275)	633,227
Performing Arts and Convention Centre Reserve	2,386,293	81,040	0	2,467,333	2,386,293	1,840,539	(1,689,136)	2,537,696	1,332,269	1,323,173	(269,149)	2,386,293
Plant Replacement Reserve	2,698,073	1,204,166	(1,538,031)	2,364,208	2,698,073	1,145,473	(1,161,900)	2,681,646	2,114,189	1,027,731	(443,847)	2,698,073
Port Geographie Development Reserve (Council)	126,997	62,895	(122,592)	67,300	126,997	59,105	(146,437)	39,665	117,836	56,091	(46,930)	126,997
Professional Development Reserve	156,214	5,180	0	161,394	156,214	3,184	0	159,398	185,931	669	(30,386)	156,214
Railway House Building Reserve	63,087	26,497	0	89,584	63,087	25,219	0	88,306	56,792	22,117	(15,822)	63,087
Road Assets Renewal Reserve	1,920,213	3,515,608	(3,271,111)	2,164,710	1,920,213	3,450,143	(3,837,340)	1,533,016	1,317,210	3,660,291	(3,057,288)	1,920,213
Sick Pay Incentive Reserve	79,476	3,235	(3,395)	79,316	79,476	738	(15,000)	65,214	106,241	363	(27,128)	79,476
Strategic Projects Reserve	2,909,576	122,838	0	3,032,414	2,909,576	92,894	(500,000)	2,502,470	350,906	2,558,670	0	2,909,576
Vasse Sports Pavilion Building Reserve	1,684	721	0	2,405	1,684	690	0	2,374	1,082	602	0	1,684
Waste Management Facility and Plant Reserve	8,287,152	2,112,319	(2,263,898)	8,135,573	8,287,152	2,185,146	(5,315,724)	5,156,574	8,486,937	1,907,237	(2,107,022)	8,287,152

**City of Busseton
Financial Report**

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

	2022/23 Actual			2022/23 Budget			2021/22 Actual					
	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$	Opening Balance \$	Transfers To \$	Transfers (From) \$	Closing Balance \$
Restricted by Council												
Winderup Aged Housing Reserve (City Controlled)	356,903	111,924	(5,620)	463,207	356,903	69,043	(49,000)	376,946	292,717	72,537	(8,351)	356,903
Workers Compensation & Extended Sick Leave Contingency Reserve	194,218	3,062	(193,000)	4,280	194,218	4,530	(193,000)	5,748	218,482	736	(25,000)	194,218
Youth and Community Activities Building Reserve	158,157	58,494	0	216,651	158,157	55,272	0	213,429	123,843	48,303	(13,989)	158,157
Prepaid Grants and Deferred Works & Services Reserve	1,979,511	2,840,968	(1,977,034)	2,843,445	1,979,511	0	(1,979,511)	0	1,361,166	1,979,866	(1,361,521)	1,979,511
Airport Infrastructure Renewal Reserve	1,259,815	2,063,864	(113,512)	3,210,167	1,259,815	666,307	(260,991)	1,665,131	1,471,767	5,249	(217,201)	1,259,815
Airport Noise Mitigation Reserve	683,694	22,058	(44,612)	661,140	683,694	10,185	(98,238)	595,641	796,148	2,685	(115,139)	683,694
LED Street Lighting Replacement Program Reserve	38,097	51,455	(57,326)	32,226	38,097	50,004	(87,866)	235	121	50,110	(12,134)	38,097
Lou Weston Oval Pavilion Reserve	0	12,730	0	12,730	0	12,432	0	12,432	0	0	0	0
Waterways Restoration Reserve	10	559,159	(559,159)	10	10	550,455	(550,455)	10	0	10	0	10
Peel Terrace/ Causeway Road Building Reserve	0	23,429	0	23,429	0	23,430	0	23,430	0	0	0	0
	71,183,341	28,923,963	(21,969,123)	76,138,181	71,017,796	24,477,258	(35,886,464)	59,608,590	62,919,560	30,220,481	(21,956,700)	71,183,341

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves – cash/ financial assets backed.

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

Restricted by Legislation/ Agreement

Busselton Area Drainage and Waterways Improvement Reserve

To hold development contributions for the provision of drainage works and the management and improvement of waterways and adjacent reserves within Busselton including the lower Vasse River.

Commonage Community Facilities Dunsborough Lakes South Reserve

For the purpose of the provision of future recreational facilities at Dunsborough Lakes South in accordance with the Dunsborough Lakes Developer Contributions Plan.

Commonage Community Facilities South Biddle Precinct Reserve

To be utilised for the provision of community facilities within the South Biddle Precinct in accordance with the Commonage Area Implementation Policy provisions.

Commonage Precinct Bushfire Facilities Reserve

For the purpose of the provision of fire protection facilities in accordance with the Commonage Contributions Area policy provisions.

Commonage Precinct Infrastructure Road Reserve

To be utilised for the purpose of road infrastructure and road safety upgrades within the Commonage Contribution Area in accordance with the Commonage Contributions Area policy provisions.

Community Facilities - Airport North

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities – Broadwater

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities – Busselton

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities - City District

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

Community Facilities – Dunsborough

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities - Dunsborough Lakes Estate

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Legislation/ Agreement (Continued)

Community Facilities – Geographe

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities - Port Geographe

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Community Facilities – Vasse

To hold development contributions received by the City for the provision of new or upgraded community infrastructure within the Precinct as per the adopted contributions plan.

Jetty Reserve

To provide funding for the maintenance, insurance, renewal, replacement, upgrading and future Capital works requirements for the asset and associated infrastructure, including plant and equipment to achieve these purposes.

Jetty Self Insurance Reserve

As a contingency fund to rectify damage caused by the demise of the Busselton jetty or part of the jetty or as a result of extraordinary events.

Joint Venture Aged Housing Reserve (Harris/ Winderlup)

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

Locke Estate Reserve

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

Port Geographe Waterways Management (SAR) Reserve

To provide funds for the City to fulfil its obligations under a Waterways Management Deed with the State Government for the future maintenance of waterways and associated facilities within the Port Geographe contributions area.

Provence Landscape Maintenance (SAR) Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping with the contributions area including future Capital replacement of landscaping structures as may be required.

Public Art Reserve

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

Vasse Newtown Landscape Maintenance (SAR) Reserve

For the purpose of holding funds for the maintenance of the approved higher standard of landscaping with the contributions area including future Capital replacement of landscaping structures as may be required.

Post Office Tea Rooms

To allocate and use any premium, rental, fees, charges or other income it receives from all leases, subleases and licences in respect of the Post Office Tea Rooms Reserve 35361 or any part of it, to maintain and repair all buildings and structures and to maintain the grounds and facilities of the Reserve.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Council

Airport Existing Terminal Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Airport Marketing and Incentive Reserve

The purpose of promoting and providing incentives for the Busselton Margaret River Airport

Barnard Park Sports Pavilion Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Building Asset Renewal Reserve – General Building

To provide funding for the major maintenance, renewal, replacement, upgrading and future building requirements for SLH2 to SLH6 assets that do not have their own reserve account and for other major building assets where insufficient funds are held for those assets.

Busselton Community Resource Centre Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Busselton Foreshore Reserve

To provide funds for on-going asset maintenance and any future capital works.

Busselton Jetty Tourist Park Reserve

To provide funding for capital, maintenance and promotional/ marketing requirements for visitor services throughout the district.

Busselton Library Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

CBD Enhancement Reserve

To provide funds for Capital and maintenance works and improvements within the Busselton and Dunsborough Central Business Districts.

Cemetery Reserve

To provide funding for the renewal, expansion and establishment of Cemeteries within the district.

City Car Parking and Access Reserve

To provide funding for development of public car parking, the development of infrastructure to provide for the management of public car parking and improving public transport to and within the City or for end of trip facilities. To provide funding for the purchase of land identified as of strategic importance for future parking requirements.

Civic and Administration Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Council (Continued)

Coastal and Climate Adaptation Reserve

The purpose of the reserve is to provide funds for coastal protection of assets and to fund initiatives to address the impacts of climate change including water supply sustainability, technology advancement and improvements/ upgrades of infrastructure susceptible to climate change.

Corporate IT Systems Reserve

To provide funding in relation to the ongoing development, enhancement and/ or replacement of the City's corporate systems. To be utilised for the renewal and replacement or introduction of new IT platforms/ hardware for the City.

Debt Default Reserve

To provide for potential default on debts owing to the City, particularly in relation negative economic circumstances caused by a declared state of emergency (such as COVID-19).

Election, Valuation and Other Corporate Expenses Reserve

To provide funding for Council elections, rating valuations, fair value valuations and other legislative and corporate governance requirements.

Emergency Disaster Recovery Reserve

To provide funding for Disaster Recovery activities including natural and man-made events.

Energy Sustainability Reserve

To provide funding for the investigation, implementation and optimisation of Energy Sustainability initiatives within the District.

Footpath/ Cycle Ways Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Footpath and Cycleway assets within the District.

Furniture and Equipment Reserve

To provide funds for the major maintenance, renewal, replacement, upgrading and future requirements with respect to furniture and equipment assets within the District.

Geographe Leisure Centre Building (GLC) Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Legal Expenses Reserve

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

Long Service Leave Reserve

To provide funding to meet the City's future long service leave obligations of employees.

Major Traffic Improvements Reserve

To be utilised for the provision of enabling major capital works programs to be funded for the upgrade of the local road network to reduce congestion, increase traffic flow and ease of access within the District.

Marketing and Area Promotion Reserve

To fund the City's contributions and expenditure on tourism, marketing, area promotion and events activities as a result of MERG funding allocations.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Council (Continued)

Naturaliste Community Centre Building (NCC) Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

New Infrastructure Development Reserve

For the purpose of setting aside funds to facilitate the identification, design and development/construction of new infrastructure and other capital projects as identified in the City's LTFP.

Other Infrastructure Reserve

To provide funding for the major maintenance and renewal of other infrastructure not specifically provided for in other reserves.

Parks, Gardens and Reserves Reserve

To provide funding for the major maintenance and renewal of Parks, Gardens and Reserves within the District.

Performing Arts and Convention Centre Reserve

To provide funds for the planning and construction, and holding of grants or other funds for a future Performing Arts and Convention Centre for the District.

Plant Replacement Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Plant and Equipment assets excluding those in independent commercial operations.

Port Geographe Development Reserve (Council)

To provide funds for capital and maintenance costs for development works associated within the Port Geographe contribution area.

Professional Development Reserve

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

Railway House Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Road Asset Renewal Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future requirements with respect to Road Infrastructure assets within the District.

Sick Pay Incentive Reserve

To provide funding to meet the City's obligations under a former sick leave incentive scheme pertaining to staff employed pre 2003.

Strategic Projects Reserve

To provide funds for projects which may create a future revenue stream for the City and reduce reliance on rate revenue.

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Council (Continued)

Vasse Sports Pavilion Building Reserve

To provide funding for the construction, major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Waste Management Facility and Plant Reserve

To provide funding for development and rehabilitation of waste disposal sites both within the district and regionally. Acquisition of waste plant and equipment and any other waste management activities that include legacy matters due to contaminated sites within the District.

Winderlup Aged Housing Reserve (City Controlled)

To hold funds to meet future expenses, including capital, maintenance, operational and administrative costs associated with the provision of council owned community aged housing.

Workers Compensation and Extended Sick Leave Contingency Reserve

A contingency fund to assist the City in meeting its Workers Compensation Contribution obligations when claim costs exceed the "Deposit" amount allocated to claims, to fund any shortfall with respect to insurance premiums in any one year, negotiated settlements of outstanding claims, and to enable periods of extended Sick Leave to be funded with a replacement officer, and to assist with meeting annual leave payouts upon termination.

Youth and Community Activities Building Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

Prepaid Grants and Deferred Works and Services Reserve

To hold Government and third party grants monies received in advance as well as deferred municipal funded works and services as at the end of financial year.

Airport Infrastructure Renewal Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and installation of Airport Infrastructure, Plant, Furniture and Equipment.

Airport Noise Mitigation Reserve

To be utilised for the purpose of noise mitigation related activities surrounding the Airport precinct.

LED Street Lighting Replacement Program Reserve

To provide funds for the on-going replacement of street lighting throughout the district with LED capacity.

Lou Weston Oval Pavilion Reserve

To provide funding for the major maintenance, renewal, replacement, upgrading and future building fit out requirements for the asset.

Waterways Restoration Reserve

To provide for any works required to rejuvenate, revive or rectify natural waterways within the Busselton district

City of Busselton

Financial Report

For the Year Ended 30 June 2023

31. Reserves – Cash/ Financial Asset Backed (Continued)

Restricted by Council (Continued)

Peel Terrace/ Causeway Road Building Reserve

To allocate and use any revenue received in respect of the Peel Terrace/ Causeway Road Building, to maintain and repair all buildings and structures and to maintain the grounds and facilities of the Reserve.

32. Trust Funds

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	Balance 1 July 2022 \$	Amounts Received \$	Amounts Paid \$	Balance 30 June 2023 \$
Builders Registration Board Levies	73,531	482,891	(476,949)	79,473
Building Training Levy	14,889	84,708	(84,036)	15,561
Cash in Lieu of Public Open Space	145,139	226,268	0	371,407
Contiguous Local Authorities Group (CLAG) Funding	25,549	5,241	0	30,790
Nomination Deposits	0	0	0	0
	259,108	799,108	(560,985)	497,231



Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 City of Busselton

To the Council of the City of Busselton

Opinion

I have audited the financial report of the City of Busselton (City) which comprises:

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the City for the year ended 30 June 2023 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Restatement of Comparative Balances

I draw attention to Note 27 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the City is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the City's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

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

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the City of Busselton for the year ended 30 June 2023 included in the annual report on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the City to confirm the information contained in the website version.



Patrick Arulsingham
Acting Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
1 November 2023



Our Ref: 8253

Mr Phil Cronin
Mayor
City of Busselton
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PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Email: phil.cronin@busselton.wa.gov.au

Dear Mayor

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

The Office has completed the audit of the annual financial report for your local government. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the CEO and the Minister for Local Government, as required by the Act.

The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your City's official website within 14 days after the annual report has been accepted by your Council.

Emphasis of matter

As discussed at the exit meeting, the Auditor General's audit report includes an Emphasis of Matter paragraph due to a restatement of comparative balances from the 30 June 2022 financial report.

Management control issues

While the result of the audit was generally satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment A.

The information system audit findings are still being finalised with management. These findings will be communicated to you in a separate letter after management comments are finalised.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 21 September 2023.

This letter has been provided for the purposes of the City and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the City for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7640 if you would like to discuss these matters further.

Yours faithfully



Carly Meagher
Director
Financial Audit
1 November 2023

Attach

ATTACHMENT A

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Payroll reconciliation	No		✓		

Key to ratings

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT A

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Payroll reconciliation

Finding

We noted that the year end summary payroll reconciliation report revealed a variance of \$147,135 that was not able to be identified and adjusted. The June reconciliation was prepared and reviewed in September 2023.

Rating: Moderate

Implication

Unexplained variances and delays in the preparation of the year end payroll reconciliations increases the risk of errors in the financial statements.

Recommendation

We recommend that any variances or discrepancies are investigated, and that reconciliations are prepared and reviewed in a timely manner.

Management comment

The year end payroll reconciliation is a summary report for the year, and is not used for monitoring or reconciliation purposes for the following reasons:

- *Fortnightly and periodic monitoring mechanisms that identify material variances and discrepancies are used for any corrective action throughout the year;*
- *The end of year reconciliation is in summary form, which covers a very wide variety of payroll types, and a significant volume of transactions, which makes it impractical to use or rely on as a definitive management tool in a timely fashion during year end processes;*
- *The immaterial nature of the variances revealed by the year end reconciliation summary reports (0.43% of total employee costs in the last financial year)*

For these reasons we do not consider it necessary to prioritise the allocation of resources that would be required to identify and correct the discrepancies at year end. We therefore propose in the meantime to raise a risk in the City's risk register in relation to the finding, noting that there has been general acceptance of the risk in previous audits.

Responsible person: Paul Sheridan
Completion date: 17 October 2023