

Audit and Risk Committee Agenda

23 November 2022

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

city@busselton.wa.gov.au

CITY OF BUSSELTON

MEETING NOTICE AND AGENDA – 23 NOVEMBER 2022

TO: THE MAYOR AND COUNCILLORS

NOTICE is given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Level 2, Administration Building, Southern Drive, Busselton on Wednesday, 23 November 2022, commencing at 11.30am.

The attendance of Committee Members is respectfully requested.

DISCLAIMER

Statements or decisions made at Council meetings or briefings should not be relied on (or acted upon) by an applicant or any other person or entity until subsequent written notification has been given by or received from the City of Busselton. Without derogating from the generality of the above, approval of planning applications and building permits and acceptance of tenders and quotations will only become effective once written notice to that effect has been given to relevant parties. The City of Busselton expressly disclaims any liability for any loss arising from any person or body relying on any statement or decision made during a Council meeting or briefing.



PAUL NEEDHAM

**ACTING CHIEF EXECUTIVE
OFFICER**

18 November 2022

CITY OF BUSSELTON

AGENDA FOR THE AUDIT AND RISK COMMITTEE MEETING TO BE HELD ON 23 NOVEMBER 2022

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1. **DECLARATION OF OPENING, ACKNOWLEDGEMENT OF COUNTRY AND ANNOUNCEMENT OF VISITORS**

2. **ATTENDANCE**

Apologies

3. **PUBLIC QUESTION TIME**

Response to Previous Questions Taken on Notice

Public Question Time for Public

4. **DISCLOSURE OF INTERESTS**

5. **CONFIRMATION OF MINUTES**






5.1 **Minutes of the Audit and Risk Committee Meeting held 10 August 2022**

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held 10 August 2022 be confirmed as a true and correct record.

6. REPORTS

6.1 CITY OF BUSSELTON 2021/2022 ANNUAL FINANCIAL REPORT, AUDITORS' REPORT AND MANAGEMENT LETTER

STRATEGIC THEME	LEADERSHIP - A Council that connects with the community and is accountable in its decision making.
STRATEGIC PRIORITY	4.2 Deliver governance systems that facilitate open, ethical and transparent decision making.
SUBJECT INDEX	Financial Operations
BUSINESS UNIT	
REPORTING OFFICER	Manager Financial Services - Paul Sheridan
AUTHORISING OFFICER	Director Finance and Corporate Services - Tony Nottle
NATURE OF DECISION	Executive: Substantial direction setting, including adopting budgets, strategies, plans and policies (excluding local planning policies); funding, donations and sponsorships; reviewing committee recommendations
VOTING REQUIREMENT	Simple Majority
ATTACHMENTS	Attachment A 2021/22 Annual Financial Statements ↓ 
	Attachment B 2021/22 Audit Opinion ↓ 
	Attachment C 2021/22 Management Letter ↓ 
	Attachment D 2021/22 Management Letter Attachment - Interim ↓ 
	Attachment E 2021/22 Management Letter Attachment - Final ↓ 

OFFICER RECOMMENDATION

That the Council:

1. **Accepts the 2021/22 Annual Financial Statements including Auditors Opinion and Audit Management Letter as per the attached documentation; and**
2. **Notes that it has met the requirements of section 7.12A(2) of the *Local Government Act 1995* with the Audit Committee, on behalf of Council, having met with a representative of the Office of the Auditor General on the 23rd November 2022.**
3. **Notes the actions proposed by staff to address the finding as outlined in the Final Management Letter as per attachment E.**

EXECUTIVE SUMMARY

The signed Independent Auditors Report and Management Letter (with attachments), in relation to the 2021/22 Annual Financial Statements, were received from the Office of the Auditor General (OAG) on 16th November 2022, and are provided to Committee Members as attachments to this report, along with the final draft of the 2021/22 Annual Financial Statements.

Pursuant to its Instrument of Appointment, it is relevant that the Audit and Risk Committee considers the 2021/22 Annual Financial Statements, Auditors Opinion and Management Letter and, where appropriate, makes recommendation/s in respect of these documents.

In addition, the local government is required to meet with its auditor at least once every year in accordance with section 7.12A(2) of the *Local Government Act 1995* (the Act).

BACKGROUND

Pursuant to Section 7.9 of the Act, an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

- (a) The Mayor or President
- (b) The Chief Executive Officer; and
- (c) The Minister

Furthermore, in accordance with Regulation 10 (4) of the *Local Government (Audit) Regulations 1996*, (the Regulations) where it is considered appropriate to do so, the Auditor may prepare a Management Letter to accompany the Independent Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act.

The Management Letter provides an overview of the audit process and outcomes, and also identifies any matters that, while generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day to day operations of the City.

Representatives of the Audit and Risk Committee and City officers met with the OAG at an entrance meeting held on the 9th May 2022. At this meeting, the OAG outlined the process for the annual audit (including interim and final).

The final audit took place from the 3rd to 14th October 2022. An exit meeting was held with the Mayor and Deputy Mayor (Chair of the Audit and Risk Committee), Acting CEO and relevant officers on the 16th November 2022. The OAG has since provided their signed audit report, including the opinion and management letter, attached to this report.

OFFICER COMMENT

The OAG have confirmed that once again the City has been provided with an unqualified audit opinion (clear audit).

As part of the 2021/22 Financial Audit, the Auditor made one finding, deemed as moderate, outlined in the attachment to their Management Letter.

"1. MANAGEMENT OF UNRESTRICTED FUNDS

Finding

It was noted that the City initially had a negative unrestricted cash balance at year end of \$304,759. This has resulted due to the transfer of funds on 30 June 2022 from unrestricted cash to various restricted reserve accounts as per Council approval. It is acknowledged that expected funds were received subsequent to year end rectifying the City's negative unrestricted cash position.

Audit adjustments processed have resulted in the balance of unrestricted cash being \$29,695.

The management of cash resources is a key control and forms part of the CEO's responsibility in ensuring that the resources of the local government are effectively and efficiently managed."

Full details and City of Busselton Management comments can be seen in the 2021/22 Final Management Letter attachment (Attachment E).

The Audit and Risk Committee Terms of Reference determines that the Audit and Risk Committee is responsible and has the duty to formally meet with the auditor in accordance with the Act on behalf of the local government. Ms. Carly Meagher, Director Financial Audit, from the OAG, representing the Auditor General is attending the Audit and Risk Committee meeting. Ms. Meagher will present the audit report and respond to any queries arising.

The presence of Ms. Meagher meets the requirements of 7.12A (2) of the Act.

Statutory Environment

Matters pertaining to the financial audit of a local government authority are detailed within:

- *Local Government Act 1995* - Section 7.9 and Section 7.12A.
- *Local Government (Financial Management) Regulations 1996*.
- *Local Government (Audit) Regulations 1996* – Regulation 16

Relevant Plans and Policies

There are no relevant plans or policies to consider in relation to this matter.

Financial Implications

There are no financial implications associated with the officer recommendation.

Stakeholder Consultation

No external stakeholder consultation was required or undertaken in relation to this matter.

There is a requirement to include the audited financial statements within the City of Busselton Annual Report, which will be advertised to the public following its consideration by Council.

Risk Assessment

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place. No risks of a medium or greater level have been identified.

Options

The Audit and Risk Committee may determine to make specific recommendations in relation to the audit findings and the actions identified by management in addressing these. Given the operational nature of the one issue that arose and that this is planned to be addressed, officers do not think specific resolutions are necessary.

CONCLUSION

The City achieved a clear audit for the financial year ending 30 June 2022 with only one moderate finding reported in the Management Letter.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not applicable.



Financial Report
For the year ended
30 June 2022

City of Busselton
Financial Report
For the Year Ended 30 June 2022

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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 2022

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the City of Busselton for the financial year ended 30 June 2022 is based on proper accounts and records to present fairly the financial position of the City of Busselton at 30 June 2022 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 14th day of November 2022



Paul Needham
Acting Chief Executive Officer



City of Busselton

Financial Report

For the Year Ended 30 June 2022

Statement of Comprehensive Income by Nature or Type

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Revenue				
Rates	27(a)	54,785,774	54,933,780	52,646,781
Operating Grants, Subsidies and Contributions		6,166,651	4,730,088	6,986,817
Fees and Charges	26(c)	19,407,734	18,102,218	17,412,051
Interest Earnings	2(a)	1,004,063	609,250	1,120,191
Other Revenue		771,797	414,950	551,451
Gain on Finance Sublease		0	0	2,786,007
Gain on Sale of Non-Current Assets Held for Sale		461,893	0	0
Reversal of Asset Write Off		462,502	0	0
		83,060,414	78,790,286	81,503,298
Expenses				
Employee Costs		(33,845,687)	(34,562,209)	(32,762,836)
Materials and Contracts		(19,305,656)	(20,245,296)	(16,560,581)
Utility Charges		(2,750,011)	(2,774,773)	(2,651,097)
Depreciation	10(a)	(24,526,198)	(24,957,238)	(24,607,001)
Interest Expenses	2(b)	(1,237,620)	(1,262,247)	(1,192,417)
Insurance Expenses		(783,825)	(777,707)	(748,751)
Other Expenditure		(3,196,840)	(7,517,880)	(832,615)
		(85,645,837)	(92,097,350)	(79,355,298)
		(2,585,423)	(13,307,064)	2,148,000
Non-Operating Grants, Subsidies and Contributions		24,801,422	34,846,780	20,309,932
Profit on Asset Disposals		68,489	46,714	148,677
Loss on Asset Disposals		(748,170)	(65,149)	(521,958)
Fair Value Adjustments to Financial Assets at Fair Value Through Profit or Loss		11,520	0	0
		24,133,261	34,828,345	19,936,651
Net result for the period		21,547,838	21,521,281	22,084,651
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in revaluation surplus		116,968,093	0	0
Total other comprehensive income		116,968,093	0	0
Total comprehensive income for the period		138,515,931	21,521,281	22,084,651



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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Statement of Financial Position

	Note	2022 Actual \$	2021 Actual \$
Current Assets			
Cash and Cash Equivalents	3	23,655,454	17,108,235
Trade and Other Receivables	5	3,977,631	3,793,737
Other Financial Assets	4(a)	74,677,873	62,059,374
Inventories	6	935,800	936,902
Finance Lease Receivables	5.1	230,175	217,910
Other Assets	7(a)	367,383	197,380
Non-Current Assets Held for Sale	7(b)	0	2,035,508
Total Current Assets		103,844,316	86,349,046
Non-current Assets			
Trade and Other Receivables	5	540,050	393,784
Other Financial Assets	4(b)	1,608,066	481,283
Property, Plant and Equipment	8	198,219,172	135,213,353
Infrastructure	9	653,437,006	580,752,889
Finance Lease Receivables	5.1	7,704,476	7,698,983
Right of Use Assets	11(a)	342,734	811,327
Total Non-current Assets		861,851,504	725,351,619
Total Assets	26(d)	965,695,820	811,700,665
Current Liabilities			
Trade and Other Payables	12	8,670,757	11,121,259
Contract Liabilities	13.1	1,603,261	2,521,219
Grant Liabilities	13.2	1,396,224	988,563
Lease Liabilities	29(e)	253,212	492,042
Borrowings	14	4,330,300	3,020,442
Employee Related Provisions	15	5,911,972	5,502,681
Other Provisions	16	0	430,000
Total Current Liabilities		22,165,726	24,076,206
Non-current Liabilities			
Contract Liabilities	13.1	7,679,299	7,888,354
Grant Liabilities	13.2	5,623,503	4,276,558
Lease Liabilities	29(e)	188,483	439,461
Borrowings	14	41,844,638	25,247,254
Employee Related Provisions	15	620,893	715,485
Total Non-current Liabilities		55,956,816	38,567,112
Total Liabilities		78,122,542	62,643,318
Net Assets		887,573,278	749,057,347
Equity			
Retained Surplus		475,096,147	461,812,090
Reserves – Cash/ Financial Asset Backed	3	71,183,341	62,919,560
Revaluation Surplus	17	341,293,790	224,325,697
Total Equity		887,573,278	749,057,347



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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Statement of Changes in Equity

	Note	Retained Surplus \$	Reserves Cash Backed \$	Revaluation Surplus \$	Total Equity \$
Balance as at 1 July 2020		442,749,115	59,897,884	224,325,697	726,972,696
Changes in Accounting Policy		0	0	0	0
Correction of Errors		0	0	0	0
Restated Balance		442,749,115	59,897,884	224,325,697	726,972,696
<u>Comprehensive Income</u>					
Net Result for the period		22,084,651	0	0	22,084,651
Other Comprehensive Income		0	0	0	0
Total Comprehensive Income		22,084,651	0	0	22,084,651
Transfer from / (to) Reserves		(3,021,676)	3,021,676	0	0
Balance as at 30 June 2021		461,812,090	62,919,560	224,325,697	749,057,347
<u>Comprehensive Income</u>					
Net Result		21,547,838	0	0	21,547,838
Changes on Revaluation of Non-Current Assets	17	0	0	116,968,093	116,968,093
Total Comprehensive Income		21,547,838	0	116,968,093	138,515,931
Transfer from / (to) Reserves		(8,263,781)	8,263,781	0	0
Balance as at 30 June 2022		475,096,147	71,183,341	341,293,790	887,573,278

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Statement of Cash Flows

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash Flows from Operating Activities				
Receipts				
Rates		55,566,251	54,747,292	53,316,359
Operating Grants, Subsidies and Contributions		5,875,276	4,980,034	7,331,156
Fees & Charges		19,071,146	18,268,448	17,676,719
Interest Earnings		1,004,063	609,250	1,120,191
Goods and Services Tax		7,405,825	5,000,000	5,926,791
Other Receipts		4,878,064	623,621	921,849
		93,800,625	84,228,645	86,293,065
Payments				
Employee Costs		(33,995,104)	(34,562,139)	(32,427,199)
Materials and Contracts		(23,418,262)	(20,203,202)	(16,008,700)
Utility Charges		(2,750,011)	(2,774,773)	(2,651,097)
Interest Expenses		(1,237,620)	(1,262,247)	(1,192,417)
Insurance Expenses		(783,825)	(777,707)	(748,751)
Goods and Services Tax		(7,324,129)	(5,000,000)	(5,986,151)
Other Payments		(5,214,040)	(7,517,880)	(377,712)
		(74,722,991)	(72,097,948)	(59,392,027)
Net Cash Provided by / (used in) Operating Activities	18	19,077,634	12,130,697	26,901,038
Cash Flows from Investing Activities				
Payment for Purchase of Property, Plant & Equipment		(8,995,166)	(26,545,804)	(5,294,071)
Payment for Construction of Infrastructure		(22,623,149)	(38,334,501)	(22,056,714)
Non-Operating Grants, Subsidies and Contributions		12,646,661	25,765,853	11,951,206
Proceeds from Sale of Property, Plant and Equipment		257,564	776,071	647,517
Proceeds from Sale of Non-current Asset Held for Sale		2,500,000	0	0
Proceeds from Financial Assets at Amortised Costs – Term Deposits		(12,500,000)	9,500,000	(11,500,000)
Proceeds from Self Supporting Loans		91,238	267,033	66,867
Net Cash Provided by / (used In) Investing Activities		(28,622,852)	(28,571,348)	(26,185,195)
Cash Flows from Financing Activities				
Repayment of Borrowings		(3,417,757)	(3,839,420)	(3,043,263)
Payments of Principal Portion of Lease Liabilities		(489,806)	(489,199)	(565,649)
Advances to Community Groups		(1,325,000)	(5,450,000)	(110,000)
Proceeds from New Borrowings		21,325,000	15,450,000	110,000
Net Cash Provided By / (used In) Financing Activities		16,092,437	5,671,381	(3,608,912)
Net Increase / (Decrease) in Cash Held		6,547,219	(10,769,270)	(2,893,069)
Cash at Beginning of Year		17,108,235	59,657,456	20,001,304
Cash and Cash Equivalents at the End of the Year	18	23,655,454	48,888,186	17,108,235

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Rate Setting Statement

	Note	2022 Actual \$	2022 Budget \$	2021 Actual \$
Net current assets at start of financial year – surplus / (deficit)	28(b)	2,448,380	2,448,380	473,794
		2,448,380	2,448,380	473,794
Operating Activities				
Revenue from operating activities (excluding rates)				
Rates (Excluding General Rates)		606,213	604,392	587,545
Operating Grants, Subsidies and Contributions		6,166,651	4,730,088	6,986,817
Fees and Charges		19,407,734	18,102,218	17,412,051
Interest Earnings		1,004,063	609,250	1,120,191
Other Revenue		771,797	414,950	551,451
Gain on Finance Sublease		0	0	2,786,007
Profit on Asset Disposals		68,489	46,714	148,677
Gain on Sale of Non-Current Assets Held for Resale		461,893	0	0
Reversal of Asset Write Off		462,502	0	0
Fair Value Adjustment to Financial Assets through Profit or Loss		11,520	0	0
		28,960,862	24,507,612	29,592,739
Expenditure from operating activities				
Employee Costs		(33,845,687)	(34,562,209)	(32,762,836)
Materials and Contracts		(19,305,656)	(20,245,296)	(16,560,581)
Utility Charges		(2,750,011)	(2,774,773)	(2,651,097)
Depreciation		(24,526,198)	(24,957,238)	(24,607,001)
Interest Expenses		(1,237,620)	(1,262,247)	(1,192,417)
Insurance Expenses		(783,825)	(777,707)	(748,751)
Other Expenditure		(3,196,840)	(7,517,880)	(832,615)
Loss on Asset Disposals		(748,170)	(65,149)	(521,958)
		(86,394,007)	(92,162,499)	(79,877,256)
Non-cash amounts excluded from operating activities	28(a)	13,070,869	16,366,860	15,007,990
Amount Attributable to Operating Activities		(44,362,276)	(51,288,027)	(35,276,527)
Investing activities				
Non-operating grants, subsidies and contributions		24,801,422	34,846,780	20,309,932
Proceeds from disposal of assets		2,757,564	776,071	647,517
Purchase of property, plant and equipment	8 (a)	(8,611,327)	(26,537,397)	(5,396,873)
Purchase and construction of infrastructure	9 (a)	(22,623,150)	(38,334,501)	(22,056,717)
Amount attributable to investing activities		(3,675,490)	(29,249,047)	(6,496,141)
Financing activities				
Advances to community groups	29 (a)	(1,325,000)	(5,450,000)	(110,000)
Repayment of advances to community groups	29 (a)	91,240	267,033	66,867
Repayment of borrowings	29 (a)	(3,417,758)	(3,839,418)	(3,043,263)
Repayment of lease liabilities		(489,807)	(489,199)	(498,833)
Proceeds from new borrowings	29 (a)	21,325,000	15,450,000	110,000
Transfers to reserves and restricted assets		(68,303,015)	(22,130,972)	(32,870,825)
Transfers from reserves and restricted assets		43,870,975	41,070,043	28,034,072
Amount attributable to financing activities		(8,248,367)	24,877,487	(8,311,982)
Surplus/ (deficiency) before imposition of general rates		(53,837,753)	(53,211,207)	(49,610,856)
Total amount raised from general rates	27 (a)	54,179,561	54,329,388	52,059,236
Surplus / (deficit) after imposition of general rates	28 (b)	341,808	1,118,181	2,448,380

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

1. BASIS OF PREPARATION

Basis of preparation

The financial report 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 cash flow and rate setting information, 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 31 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, and infrastructure

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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 2022

Notes to and Forming Part of the Financial Report

	2022 Actual \$	2022 Budget \$	2021 Actual \$
2. Revenue and Expenses (Continued)			
(a) Revenue (Continued)			
Revenue from Statutory Requirements			
Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:			
General rates	54,179,561	54,329,388	52,059,236
Specified area rates	606,213	604,392	587,545
Statutory permits and licences	1,180,350	1,153,812	1,315,816
Fines	57,130	85,950	84,317
Developer contributions	785,269	755,981	958,602
Public open space contributions	0	10,140	745,999
	56,808,523	54,933,780	55,751,515
Assets and services acquired below fair value			
Contributed assets	12,518,962	5,600,000	9,424,331
	12,518,962	5,600,000	9,424,331
Interest Earnings			
- Reserve Funds	224,316	125,000	337,120
- Other Funds	344,876	75,000	312,408
- Other Interest Revenue	434,871	409,250	470,663
	1,004,063	609,250	1,120,191
(b) Expenses			
Auditors Remuneration			
- Audit of the Annual Financial Report	56,820	49,900	41,000
- Other Services Certifications	5,900	2,500	3,835
	62,720	52,400	44,835
Interest Expenses (Finance Costs)			
Long Term Borrowings (refer Note 29(a))	1,206,769	1,233,787	1,140,572
Lease Interest	30,852	28,460	51,845
	1,237,620	1,262,247	1,192,417

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

	Note	2022 Actual \$	2021 Actual \$
3. Cash and Cash Equivalents			
Unrestricted		29,696	5,414,518
Restricted		23,625,758	11,693,717
		<u>23,655,454</u>	<u>17,108,235</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		23,625,758	11,693,717
- Financial Assets at amortised cost – Term Deposits	4	74,500,000	62,000,000
		<u>98,125,758</u>	<u>73,693,717</u>
Reserves – cash/financial asset backed	30	71,183,341	62,919,560
Cash set aside in Lieu of Parking		358,943	275,602
Cash set aside in Lieu of Public Open Space		1,410	381,410
Cash set aside for Roadwork within specific areas, being funds given as a condition of subdivision/development		870,368	1,122,046
Cash set aside, being unspent specific purpose Government Grants	13	7,019,727	5,265,121
Cash set aside, being Unspent Loan Funds	29(c)	14,366,377	49,341
Cash set aside for Sundry Restricted		256,155	256,155
Cash set aside for Deposits & Bonds	12	4,069,438	3,424,482
		<u>98,125,758</u>	<u>73,693,717</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 reserves, 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.

Details of restrictions on financial assets can be found at Note 3.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

	Note	2022 Actual \$	2021 Actual \$
4. Other Financial Assets			
(a) Current Assets			
Financial assets at amortised cost		74,677,873	62,059,374
		<u>74,677,873</u>	<u>62,059,374</u>
Other Financial Assets at Amortised Costs			
Self-supporting loans		177,873	59,374
Term Deposit	3	74,500,000	62,000,000
		<u>74,677,873</u>	<u>62,059,374</u>
(b) Non-Current Assets			
Financial assets at amortised cost		1471,909	356,646
Financial assets at fair value through profit and loss		136,157	124,637
		<u>1,608,066</u>	<u>481,283</u>
Financial assets at amortised cost			
Self-supporting loans		1,471,909	356,646
		<u>1,471,909</u>	<u>356,646</u>
Financial assets at fair value through profit and loss			
Units in Local Government House Trust		136,157	124,637
		<u>136,157</u>	<u>124,637</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 29(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 2022

Notes to and Forming Part of the Financial Report

	2022 Actual \$	2021 Actual \$
5. Trade and Other Receivables		
Current		
Rates Receivable	1,017,639	1,458,200
Rates Receivable – Pensioners	21,187	22,432
Trade and Other Receivables	2,319,748	1,612,352
GST Receivable	619,057	700,753
	<hr/> 3,977,631	<hr/> 3,793,737
Non-Current		
Rates Receivable – Pensioners	344,503	327,669
Trade and Other Receivables	195,547	66,115
	<hr/> 540,050	<hr/> 393,784

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are 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.

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

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

5.1 Finance Lease Receivables

	2022 Actual \$	2021 Actual \$
Current	230,175	217,910
Non-current	7,704,476	7,698,983
	<u>7,934,651</u>	<u>7,916,893</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.

	2022 Actual \$	2021 Actual \$
6. Inventories		
Current		
Materials	935,800	936,902
	<u>935,800</u>	<u>936,902</u>
The following movements in inventories occurred during the year:		
Balance at beginning of year	936,902	25,802
Adjustment to inventory (a)	0	643,164
Inventories expensed during the year	(114,574)	(195,566)
Additions to inventory	113,472	463,502
Balance at end of year	<u>935,800</u>	<u>936,902</u>

(a) Adjustment of \$643,164 was processed last year to recognise additional inventory as identified by management in that year.

SIGNIFICANT ACCOUNTING POLICIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

7. Other Assets and Non-Current Assets Held for Sale

	2022 Actual \$	2021 Actual \$
(a) Other Assets		
Prepayments	367,383	197,380
(b) Non-Current Assets Held for Sale		
Land (a)	0	2,035,508

(a) In 2020-21, the City sought an expression of interest for the disposal of Lots 58 and 59 Chapman Hill Road and Lot 60 Queen Elizabeth Avenue, Ambergate. A buyer showed interest in the properties and a local public notice of the proposed sale of lands was advertised in accordance with section 3.58(3) of the Local Government Act. The lands were valued by an external valuer and sold for \$2.5 million in September 2021. A gain of \$0.5 million was recognised in the Statement of Comprehensive Income under 'Gain on Sale of Non-Current Asset Held for Sale'.

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

8. Property, Plant and Equipment
(a) 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
Balance at 1 July 2020	49,966,728	66,469,601	3,970,605	17,009,336	137,416,270
Additions	4,028	3,560,701	568,322	1,263,821	5,396,872
Transfers to held for sale	(2,035,508)	0	0	0	(2,035,508)
(Disposals)	0	(1,452)	(33,550)	(566,734)	(601,736)
Depreciation (expense)	0	(2,779,594)	(521,978)	(2,270,796)	(5,572,368)
Donated Assets	0	110,000	59,231	10,592	179,823
Other Adjustments	0	430,000	0	0	430,000
Balance at 30 June 2021	47,935,248	67,789,256	4,042,630	15,446,219	135,213,353
Comprises:					
Gross balance amount at 30 June 2021	47,935,248	79,836,152	4,877,748	19,731,257	152,380,405
Accumulated depreciation at 30 June 2021	0	(12,046,896)	(835,118)	(4,285,038)	(17,167,052)
Balance at 30 June 2021	47,935,248	67,789,256	4,042,630	15,446,219	135,213,353
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	(2,636,425)	(579,118)	(2,380,102)	(5,595,645)
Revaluation Increments/ (Decrements)	12,664,548	47,627,653	0	0	60,292,201
Donated Assets	0	30,000	0	881,375	911,375
Balance at 30 June 2022	60,525,358	118,367,987	4,106,798	15,219,029	198,219,172
Comprises:					
Gross balance amount at 30 June 2022	60,525,358	118,723,727	5,584,364	21,934,234	206,411,943
Accumulated depreciation at 30 June 2022	0	(355,740)	(1,477,566)	(6,715,205)	(8,192,771)
Balance at 30 June 2022	60,525,358	118,367,987	4,106,798	15,219,029	198,219,172

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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 cashflow 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 cashflow methodology	Independent Registered Valuer	May 2022	Price per square meter / market borrowing rate.
<p>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.</p> <p>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.</p>					
(ii) Cost					
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 2022

Notes to and Forming Part of the Financial Report

9. Infrastructure
(a) Movements in Balances

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 2020	299,310,528	35,180,124	9,423,180	56,869,325	167,625,414	568,408,571
Additions	13,326,324	4,871	621,792	55,293	8,048,436	22,056,716
(Disposals)	(3,472,083)	3,472,083	0	0	0	0
Impairment (losses)	0	0	0	0	(419,061)	(419,061)
Depreciation (expense)	(6,128,488)	(794,778)	(364,942)	(835,271)	(10,414,366)	(18,537,845)
Donated Assets	3,666,283	0	816,606	2,804,822	1,956,797	9,244,508
Balance at 30 June 2021	306,702,564	37,862,300	10,496,636	58,894,169	166,797,220	580,752,889
Comprises:						
Gross balance amount at 30 June 2021	324,598,350	40,688,674	11,562,208	61,351,453	195,015,955	633,216,640
Accumulated depreciation at 30 June 2021	(17,895,786)	(2,826,374)	(1,065,572)	(2,457,284)	(28,218,735)	(52,463,751)
Balance at 30 June 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	(5,669)	0	(61,678)	629	496,556	429,838
(Disposals)	0	(157,772)	0	0	(32,619)	(190,391)
Depreciation (expense)	(6,513,008)	(820,595)	(418,219)	(883,973)	(9,826,164)	(18,461,959)
Revaluation Increments/ (Decrements)	29,134,330	12,932,853	995,088	7,246,139	6,367,483	56,675,893
Donated Assets	2,747,979	3,929,239	0	2,470,181	2,460,187	11,607,586
Balance at 30 June 2022	341,528,582	55,004,513	12,197,691	68,070,838	176,635,382	653,437,006
Comprises:						
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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

9. Infrastructure (Continued)

(b) Fair Value Measurements

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

Notes to and Forming Part of the Financial Report

10. Fixed Assets

	2022 Actual \$	2022 Budget \$	2021 Actual \$
(a) Depreciation			
Buildings	2,636,425	3,248,840	2,779,595
Furniture and Equipment	579,118	502,320	521,978
Plant and Equipment	2,380,102	2,267,130	2,270,796
Infrastructure - Roads	6,513,008	6,358,820	6,128,488
Infrastructure - Bridges	820,595	825,190	794,778
Infrastructure - Car Parks	418,219	410,800	364,942
Infrastructure - Stormwater Drainage	883,973	855,130	835,271
Infrastructure - Other	9,826,165	10,020,415	10,414,366
Right of Use Assets – Furniture and Equipment	468,593	468,593	496,787
	24,526,198	24,957,238	24,607,001

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

10. Fixed Assets (Continued)

(b) 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.

	2022 Actual \$	2021 Actual \$
Furniture and equipment	130,022	57,297
Plant and equipment	2,919,626	1,590,380
	3,049,648	1,647,677

(c) Disposals of Assets

The following assets were disposed of during the year:

	Net Book Value		Sale Price		Net Profit / (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Buildings	516,412	0	0	0	(516,412)	0
Plant and Equipment	223,164	794,506	257,565	776,071	34,401	(18,435)
Furniture and Fittings	7,278	0	0	0	(7,278)	0
Infrastructure	190,391	0	0	0	(190,391)	0
	937,245	794,506	257,565	776,071	(679,680)	(18,435)

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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, where applicable, 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.

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.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at 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 acquired between scheduled revaluation dates of the asset class in accordance with the mandatory measurement framework, 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 in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings and infrastructure 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. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires land, buildings, infrastructure, and vested improvements to be shown at fair value.

Revaluation (Continued)

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same 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.

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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

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 eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

City of Busselton

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For the Year Ended 30 June 2022

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.

	Right of use assets – Furniture and Equipment \$	Right of use assets - Total \$
Balance at 1 July 2020	1,308,114	1,308,114
Depreciation (expense)	(496,787)	(496,787)
Balance at 30 June 2021	811,327	811,327
Depreciation (expense)	(468,593)	(468,593)
Balance at 30 June 2022	342,734	342,734

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

	2022 Actual \$	2021 Actual \$
Depreciation expense on right of use assets	(468,593)	(496,787)
Interest expense on lease liabilities	(28,460)	(49,434)
Total amount recognised in the statement of comprehensive income	(497,053)	(546,221)

(c) Total cash outflow from leases (517,660) (548,268)

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.

Right-of-use assets – valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included 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 shortest. 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 amortised over the useful life of the underlying asset.

City of Busselton

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Notes to and Forming Part of the Financial Report

11. Leases (Continued)

(d) Property subject to lease

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

	2022 Actual \$	2021 Actual \$
Less than 1 year	1,137,441	1,224,369
1 to 2 years	1,114,721	1,161,326
2 to 3 years	1,068,125	1,103,638
3 to 4 years	1,032,489	1,057,043
4 to 5 years	1,032,489	1,032,275
> 5 years	27,512,227	28,555,245
	32,897,492	34,133,896

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

	2022 Actual \$	2021 Actual \$
12. Trade and Other Payables		
Current		
Sundry Creditors	1,178,615	5,871,565
Prepaid Rates	918,088	894,244
Deposits and Bonds	4,069,438	3,424,482
Accrued Expenses	2,504,616	930,968
	8,670,757	11,121,259

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.

City of Busselton

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For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

		2022 Actual \$	2021 Actual \$
13.	Other Liabilities		
	Contracts/ Grant Liabilities		
13.1	Contract Liabilities		
	Current	1,603,261	2,521,219
	Non-current	7,679,299	7,888,354
		9,282,560	10,409,573
13.1.1	Movement in contract liabilities		
	Reconciliation of changes in contract liabilities		
	Opening balance	10,409,573	10,178,544
	Additions	785,269	1,704,601
	Revenue recognised in the reporting period	(1,912,282)	(1,473,572)
	Balance at end of period	9,282,560	10,409,573
13.1.2	Expected satisfaction of contract liabilities		
	Income recognition		
	1 year	1,603,261	2,521,219
	1 to 5 years	2,320,640	2,890,444
	Over 5 years	5,358,659	4,997,910
		9,282,560	10,409,573
13.2	Grant Liabilities		
	Current	1,396,224	988,563
	Non-current	5,623,503	4,276,558
		7,019,727	5,265,121
13.2.1	Movement in grant liabilities		
	Reconciliation of changes in grant liabilities		
	Opening balance	5,265,121	4,548,290
	Additions	14,042,405	5,171,084
	Revenue recognised in the reporting period	(12,287,799)	(4,454,253)
	Balance at end of period	7,019,727	5,265,121
13.2.2	Expected satisfaction of grant liabilities		
	Income recognition		
	1 year	1,396,224	988,563
	1 to 5 years	5,623,503	4,276,558
	Over 5 years	0	0
		7,019,727	5,265,121

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.

Non-current capital grant/contribution liabilities fair values 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(ii)) due to the unobservable inputs, including own credit risk.

City of Busselton

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For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

14. Borrowings

	Note	2022			2021		
		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		4,330,300	41,844,638	46,174,938	3,020,442	25,247,254	28,267,696
Total Secured Borrowings	29	4,330,300	41,844,638	46,174,938	3,020,442	25,247,254	28,267,696

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.

The City of Busselton has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 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(j)) 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 29(a).

City of Busselton

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For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

15. Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Sick Leave	Total
	\$	\$	\$	\$
Opening balance at 1 July 2021				
Current	2,244,762	3,151,678	106,241	5,502,681
Non-Current	0	715,485	0	715,485
	2,244,762	3,867,163	106,241	6,218,166
Additional Provisions	2,044,485	859,620	363	2,904,468
Amounts Used	(2,033,992)	(528,650)	(27,127)	(2,589,769)
Balance 30 June 2022	2,255,255	4,198,133	79,477	6,532,865
Comprises				
Current Provisions	2,255,255	3,577,240	79,477	5,911,972
Non-current Provisions	0	620,893	0	620,893
	2,255,255	4,198,133	79,477	6,532,865

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The City's obligations for employees 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 sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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

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

	2022 Actual	2021 Actual
	\$	\$
Other Provisions (a)	0	430,000

(a) Relates to the provision for building claddings. The claddings replacement was completed in February 2022.

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	2022 Actual \$	2021 Actual \$
Land and Buildings		
Opening Balance	46,409,353	46,409,353
Revaluation Increment	60,292,201	0
Revaluation Decrement	0	0
	<u>106,701,554</u>	<u>46,409,353</u>
Furniture & Fittings		
Opening Balance	797,333	797,333
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>797,333</u>	<u>797,333</u>
Plant and Equipment		
Opening Balance	840,738	840,738
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>840,738</u>	<u>840,738</u>
Roads		
Opening Balance	122,047,036	122,047,036
Revaluation Increment	29,134,329	0
Revaluation Decrement	0	0
	<u>151,181,365</u>	<u>122,047,036</u>
Bridges		
Opening Balance	23,461,409	23,461,409
Revaluation Increment	12,932,853	0
Revaluation Decrement	0	0
	<u>36,394,262</u>	<u>23,461,409</u>
Car Parks		
Opening Balance	5,314,676	5,314,676
Revaluation Increment	995,088	0
Revaluation Decrement	0	0
	<u>6,309,764</u>	<u>5,314,676</u>
Drainage		
Opening Balance	14,102,455	14,102,455
Revaluation Increment	7,246,139	0
Revaluation Decrement	0	0
	<u>21,348,594</u>	<u>14,102,455</u>
Other Infrastructure		
Opening Balance	11,352,697	11,352,697
Revaluation Increment	6,367,483	0
Revaluation Decrement	0	0
	<u>17,720,180</u>	<u>11,352,697</u>
All Asset Classes		
Opening Balance	224,325,697	224,325,697
Revaluation Increment	116,968,093	0
Revaluation Decrement	0	0
Total Assets Revaluation Surplus	<u>341,293,790</u>	<u>224,325,697</u>

City of Busselton

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Notes to and Forming Part of the Financial Report

18. Notes to the Statement of Cash Flows

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:

	2022 Actual \$	2022 Budget \$	2021 Actual \$
Cash and Cash Equivalents	23,655,454	48,888,186	17,108,235

**Reconciliation of Net Cash Provided By Operating
Activities to Net Result**

Net Result	21,547,838	21,521,281	22,084,651
Non-cash flows in Net result:			
Depreciation	24,526,198	24,957,238	24,607,001
(Profit) / Loss on Sale of Asset	679,681	18,435	373,281
Gain on Finance Sublease	0	0	(2,786,007)
Revaluation Adjustment	(924,395)	0	0
Non-Cash Contributions	(12,518,962)	(5,600,000)	(9,424,331)
Changes in assets and Liabilities:			
(Increase) / Decrease in Receivables	(1,150,925)	(33,755)	1,563,661
(Increase) / Decrease in Inventories	1,102	36,902	(911,100)
Increase / (Decrease) in Payables	(948,531)	5,262	2,082,272
Increase / (Decrease) in Provisions	(115,299)	0	314,956
Non-operating Grants and Contributions for the Development of Assets	(12,019,073)	(28,774,666)	(11,003,346)
Net Cash from Operating Activities	19,077,634	12,130,697	26,901,038

City of Busselton

Financial Report

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Notes to and Forming Part of the Financial Report

19. Contingent Liabilities

19.1 Busselton Waste Transfer Station - Contamination Investigation

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.

The City is required to undertake investigations in respect to these legacy issues in accordance with the statutory framework under the Contaminated Sites Act 2003 (WA). The City's investigations have been ongoing for a number of years and are conducted by qualified consultants, reviewed by an independent accredited Contaminated Sites Auditor and advised to DWER. DWER has, pursuant to the Contaminated Sites Act, the power to classify a site if there are reasonable grounds to do so based on relevant guidelines, currently accepted industrial standards or any other information. During this period, a number of sites within the investigation area have been classified by DWER.

The nature and extent of these legacy groundwater issues have been determined with a reasonable level of certainty, and relevant information has been provided to the Contaminated Sites Auditor and DWER. DWER indicated that they are in process of assessing this information and reviewing current property classifications, noting the change in risk profile with the availability of scheme water at affected properties. DWER further indicated that, as part of this review, existing restrictions on use of groundwater could be removed or revised. DWER's final decision in relation to restrictions on use of groundwater in this area (and subsequent classification or re-classification of affected properties), could impact on the value of affected properties (DWER Final Decision). These impacts can only be assessed and, if applicable, quantified, once the DWER Final Decision has been made. It is expected that the DWER Final Decision will be made in the third quarter of 2022. By that stage the City should, depending on the issue of liability, be in a position to consider options for long term remediation and/or mitigation solutions.

Depending on the outcome of the DWER Final Decision, the City may incur a certain level of liability in respect of remedial action and/or claims for compensation. Due to complex scientific, operational and legal issues impacting on this matter, it is not reasonably possible to determine at this stage the City's potential liability (if any). Therefore:

- It is not practicable to make at this stage an estimate of the financial effect of or determine the amount or timing of any outflow associated with the contamination issues associated with the Busselton Waste Transfer Site; and
- Disclosure of further information in relation to the potential financial effect of these contamination issues could prejudice the City's position in any resulting dispute with affected landowners.

19.2 Claim for Damages by Unsuccessful Tenderer pursuant to RFT11/19 'Road Network Upgrade – City Centre Eastern Link Stage 1 and Stages 2A+2B'

An unsuccessful tenderer (Plaintiff) instituted legal action against the City of Busselton, claiming \$1.2 million damages based on breach of "process contract" resulting from RFT11/19. The City is of view that it has a strong case and is therefore defending the matter. Depending on the outcome of the legal proceedings, the City may incur a certain level of liability in respect of damages and/or legal costs.

Indications are that the City's insurance policy will respond to any adverse finding/order against the City. The litigation is ongoing.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

19. Contingent Liabilities (Continued)

19.3 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 eleven 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.

19.4 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

	2022 Actual \$	2021 Actual \$
Capital Expenditure Commitments		
Contracted for:		
<u>Capital projects</u>		
- King Street Works	0	26,016
- Busselton Performing Arts and Convention Centre	33,476,638	864,844
- Busselton Senior Citizens Building	0	113,316
- Mitchell Park	36,760	570,824
- Dunsborough Lakes Sports Precinct	509,635	996,852
- Administration Building Car Park	0	32,928
- Busselton Foreshore (East)	0	141,698
- Buayanyup Drain Path	0	347,107
- Energy Efficiency Building Upgrade	0	74,400
- Churchill Park	188,620	0
- Bovell Construction Works	190,123	0
- Construction of Youth Hub in Dunsborough	36,146	0
- Other	17,573	0
	34,455,495	3,167,985
<u>Payable:</u>		
- not later than one year	34,455,495	3,167,985
- 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.

City of Busselton

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Notes to and Forming Part of the Financial Report

21. Related Party Transactions

	2022 Actual \$	2022 Budget \$	2021 Actual \$
(a) Elected Members Remuneration			
The following fees, expenses and allowances were paid to council members and the mayor.			
<u>Mayor Grant Henley</u>			
Allowance	89,261	89,753	80,129
Sitting Fees	47,256	47,516	41,788
Communication Allowance	3,481	3,500	3,500
Other Allowances/ Reimbursements	435	478	226
	140,433	141,247	125,643
<u>Deputy Mayor Kelly Hick</u>			
Allowance	6,639	22,438	20,032
Sitting Fees	9,373	31,678	29,910
Travelling Allowance – Councillors Meetings	815	1,250	2,739
Communication Allowance	1,036	3,500	3,500
Other Allowances/ Reimbursements	0	478	0
	17,863	59,344	56,181
<u>Deputy Mayor Paul Carter</u>			
Allowance	15,676	0	0
Sitting Fees	31,678	31,678	29,910
Travelling Allowance – Councillors Meetings	2,362	1,250	0
Communication Allowance	3,500	3,500	3,500
Other Allowances/ Reimbursements	227	478	0
	53,443	36,906	33,410
<u>Councillor Kate Cox</u>			
Sitting Fees	31,678	31,678	29,910
Travelling Allowance – Councillors Meetings	0	1,250	1,787
Communication Allowance	3,500	3,500	3,500
Other Allowances/ Reimbursements	0	478	168
	35,178	36,906	35,365
<u>Councillor Phill Cronin</u>			
Sitting Fees	31,678	31,678	29,910
Travelling Allowance – Councillors Meetings	2,304	1,250	3,969
Communication Allowance	3,500	3,500	3,500
Other Allowances/ Reimbursements	0	478	217
	37,482	36,906	37,596
<u>Councillor Ross Paine</u>			
Sitting Fees	31,678	31,678	29,910
Travelling Allowance – Councillors Meetings	0	1,250	0
Communication Allowance	3,500	3,500	3,500
Other Allowances/ Reimbursements	184	478	236
	35,362	36,906	33,646
<u>Councillor Jo Barrett-Lennard</u>			
Sitting Fees	9,373	31,678	29,910
Travelling Allowance – Councillors Meetings	0	1,250	756
Communication Allowance	1,036	3,500	3,500
Other Allowances/ Reimbursements	0	478	227
	10,409	36,906	34,393

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Notes to and Forming Part of the Financial Report

21. Related Party Transactions (Continued)

(a) Elected Members Remuneration	2022 Actual \$	2022 Budget \$	2021 Actual \$
<u>Councillor Lyndon Miles</u>			
Sitting Fees	9,373	31,678	29,910
Travelling Allowance – Councillors Meetings	0	1,250	970
Communication Allowance	1,036	3,500	3,500
Other Allowances/ Reimbursements	0	478	382
	10,409	36,906	34,762
<u>Councillor Sue Riccelli</u>			
Sitting Fees	31,678	31,678	29,910
Travelling Allowance – Councillors Meetings	0	1,250	0
Communication Allowance	3,500	3,500	3,500
Other Allowances/ Reimbursements	225	478	213
	35,403	36,906	33,623
<u>Councillor Anne Ryan</u>			
Sitting Fees	22,131	0	0
Travelling Allowance – Councillors Meetings	0	0	0
Communication Allowance	2,445	0	0
Other Allowances/ Reimbursements	0	0	0
	24,576		
<u>Councillor Jodie Richards</u>			
Sitting Fees	22,131	0	0
Travelling Allowance – Councillors Meetings	483	0	0
Communication Allowance	2,445	0	0
Other Allowances/ Reimbursements	0	0	0
	25,059		
<u>Councillor Mikayla Love</u>			
Sitting Fees	22,131	0	0
Travelling Allowance – Councillors Meetings	1,136	0	0
Communication Allowance	2,445	0	0
Other Allowances/ Reimbursements	587	0	0
	26,299		
	451,916	458,933	424,619
<u>TOTAL ELECTED MEMBERS REMUNERATION</u>			
Allowance	111,576	112,191	100,161
Sitting Fees	300,158	300,940	281,068
Travelling Allowance – Councillors Meetings	7,100	10,000	10,221
Communication Allowance	31,424	31,500	31,500
Other Allowances/ Reimbursements	1,658	4,302	1,669
	451,916	458,933	424,619

City of Busselton

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For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

21. Related Party Transactions (Continued)

(b) Key Management Personnel (KMP) Compensation Disclosure

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

	2022 Actual \$	2021 Actual \$
Short-term employee benefits	1,140,011	1,105,301
Post-employment benefits	126,502	142,726
Other long-term benefits	109,532	105,783
	1,376,045	1,353,810

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 elected members.

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.

(c) Transactions with Related Parties

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.

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

21. Related Party Transactions (Continued)

(c) Transactions with Related Parties (Continued)

Management has assessed the materiality of disclosure of transactions with related parties on the following criteria:

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

During the financial year, the City purchased goods and services from one related party to the value of \$55K. The transactions are on normal commercial terms and conditions. Besides this, there are no other material transactions with related parties entered into during the financial year.

22. Joint Arrangements

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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
	%	\$	\$	\$	\$
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
2021					
Cash and Cash Equivalents	0.07%	17,108,235	3,276,102	13,810,228	21,845
Financial Assets at Amortised Cost – Term Deposits	0.32%	62,000,000	62,000,000	0	0

City of Busselton

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For the Year Ended 30 June 2022

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.

	2022 Actual \$	2021 Actual \$
Impact of a 1% movement in interest rates on profit and loss and equity*	164,606	138,103

* 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 29.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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 receivables comprise rates annual charges and user fees and charges. 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. It also encourages ratepayers to pay rates by the due date through incentives.

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

The level of outstanding receivables is reported to the 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 receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2021 or 1 July 2022 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 ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors.

The loss allowance as at 30 June 2022 and 30 June 2021 for rates receivable was determined as follows:

	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 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
30 June 2021					
Rates receivable					
Expected credit loss	0%	0%	0%	0%	
Gross carrying amount	963,815	342,474	173,666	(21,755)	1,458,200
Loss allowance	0	0	0	0	0

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

23. Financial Risk Management (Continued)

(b) Credit Risk (Continued)

The loss allowance as at 30 June 2022 and 30 June 2021 for trade and other receivables was determined as follows:

	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 2022					
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
30 June 2021					
Trade and other receivables					
Expected credit loss	0.05%	0.06%	0.00%	0.00%	
Gross carrying amount	1,618,281	60,185	0	0	1,678,466
Loss allowance	777	36	0	0	813

(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.

The contractual undiscounted cash flows of the City's Payables 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>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
	14,957,118	22,572,997	28,421,553	65,951,668	55,287,388
<u>2021</u>					
Payables	11,121,259	0	0	11,121,259	11,121,259
Borrowings	4,059,936	15,699,497	14,550,390	34,309,823	28,267,696
Lease Liabilities	594,335	378,921	0	973,256	931,503
	15,775,530	16,078,418	14,550,390	46,404,338	40,320,458

City of Busselton

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For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

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.

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 statements 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 earnings

Interest income 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).

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

25. OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Fair value hierarchy (Continued)

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 non-financial assets, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

k) Initial application of accounting standards

During the current year, no new or revised Australian Accounting Standards and Interpretations were compiled, became mandatory and were applicable to its operations.

New accounting standards for application in future years

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

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- 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 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

It is not expected these standards will have an impact on the financial report.

City of Busselton

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For the Year Ended 30 June 2022

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>
General Purpose Funding To collect revenue to allow for the provision of services.	Rates, other general purpose government grants, and interest revenue.
Governance To provide decision making process for the efficient allocation of scarce resources.	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.
Law, Order and Public Safety To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various by-laws, fire prevention, animal control and emergency services. Local government also provides assistance to surf lifesaving efforts.
Health To provide an operational framework for environmental and community health.	Inspections of food outlets and their control, noise control, waste disposal compliance, mosquitoes and stingers control.
Education and Welfare To provide services for the elderly, children and youth.	Annual donation to the operation of a Senior Citizen's Centre.
Housing To provide and maintain elderly residents housing.	The operation of three sets of elderly residents homes.
Community Amenities To provide services required by the community.	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.
Recreation and Culture To establish and effectively manage infrastructure and resources which will help the social well-being of the community.	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

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For the Year Ended 30 June 2022

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 2022

Notes to and Forming Part of the Financial Report

26. Functions and Activities (Continued)

(b) Income and Expenses

	2022 Actual \$	2022 Budget \$	2021 Actual \$
Income excluding grants, subsidies and contributions			
General Purpose Funding	55,645,773	55,616,680	53,646,794
Governance	528,433	81,550	81,341
Law, Order & Public Safety	212,906	256,850	258,922
Health	606,494	584,310	726,764
Education and Welfare	214	200	209
Housing	528,687	504,100	520,464
Community Amenities	10,654,214	9,268,093	9,257,609
Recreation and Culture	3,052,761	2,966,026	2,728,507
Transport	3,013,596	2,383,766	1,931,941
Economic Services	2,408,917	2,099,142	2,323,507
Other Property and Services	321,777	346,195	3,189,100
	76,973,772	74,106,912	74,665,158
Grants, subsidies and contributions			
General Purpose Funding	3,207,562	1,581,946	2,434,314
Governance	208,375	7,676,980	587,389
Law, Order & Public Safety	1,686,280	1,115,600	1,199,001
Health	101,303	78,500	66,583
Education and Welfare	8,723	8,050	8,419
Housing	4,321	4,620	6,709
Community Amenities	986,821	188,720	881,146
Recreation and Culture	6,845,688	10,175,754	4,994,856
Transport	17,415,929	18,488,205	16,537,683
Economic Services	19,390	12,043	14,857
Other Property and Services	483,681	246,450	565,792
	30,968,073	39,576,868	27,296,749
Total Income	107,941,845	113,683,780	101,961,907
Expenses			
General Purpose Funding	(1,507,571)	(1,557,697)	(1,182,829)
Governance	(8,297,705)	(7,868,409)	(7,059,029)
Law, Order & Public Safety	(3,518,190)	(3,812,022)	(3,633,234)
Health	(1,377,970)	(1,471,069)	(1,513,600)
Education and Welfare	(188,420)	(169,524)	(186,001)
Housing	(617,476)	(1,328,858)	(640,563)
Community Amenities	(14,488,180)	(13,601,533)	(13,789,842)
Recreation and Culture	(25,651,410)	(29,717,473)	(23,920,999)
Transport	(25,319,862)	(27,323,469)	(23,643,812)
Economic Services	(3,841,238)	(4,713,397)	(3,131,158)
Other Property and Services	(1,585,985)	(599,048)	(1,176,189)
Total Expenses	(86,394,007)	(92,162,499)	(79,877,256)
Net Result for the Period	21,547,838	21,521,281	22,084,651

City of Busselton

Financial Report

For the Year Ended 30 June 2022

Notes to and Forming Part of the Financial Report

26. Functions and Activities (Continued)

(c) Fees and Charges

	2022 Actual \$	2022 Budget \$	2021 Actual \$
General Purpose Funding	98,382	66,500	121,516
Governance	29,576	44,600	22,033
Law, Order & Public Safety	156,964	172,150	184,818
Health	606,415	581,810	639,280
Education and Welfare	214	200	209
Housing	528,687	504,100	520,464
Community Amenities	9,651,855	9,069,686	8,967,193
Recreation and Culture	2,986,342	2,951,243	2,679,865
Transport	2,947,884	2,322,400	1,880,541
Economic Services	2,352,643	2,053,236	2,276,559
Other Property and Services	48,772	336,293	119,573
	19,407,734	18,102,218	17,412,051

(d) Total Assets Classified by Function and Activity

	2022 Actual \$	2021 Actual \$
General Purpose Funding	2,683,446	2,866,923
Governance	31,248,508	26,855,109
Law, Order & Public Safety	8,495,541	5,620,228
Health	229,369	234,958
Education and Welfare	2,324,952	518,309
Housing	5,292,759	7,183,897
Community Amenities	47,496,302	44,927,595
Recreation and Culture	223,791,049	145,470,624
Transport	598,231,912	532,491,054
Economic Services	5,055,635	3,559,268
Other Property and Services	14,992,097	12,287,684
Unallocated	25,854,250	29,685,016
	965,695,820	811,700,665

City of Busselton

Financial Report

For the Year Ended 30 June 2022

27. Rating Information – 2021/22 Financial Year
(a) Rates

Rate Type	Rate in \$	Number of Properties #	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Total Revenue \$
Differential General Rate									
GRV–Residential	10.0916	14,280	263,869,076	26,628,541	413,757	27,042,298	26,628,541	0	26,628,541
GRV–Residential Holiday Homes	11.1020	756	14,837,212	1,647,224	(142)	1,647,082	1,647,224	0	1,647,224
GRV–Industrial	11.6572	456	22,280,544	2,597,285	(30,906)	2,566,379	2,597,285	0	2,597,285
GRV–Commercial	11.6572	1,360	70,749,413	8,247,393	113,317	8,360,710	8,247,393	0	8,247,393
GRV–Residential Vacant Land	10.0916	253	6,891,640	695,476	89,176	784,652	695,476	0	695,476
GRV–Industrial Vacant Land	11.6572	49	1,131,400	131,889	(8,762)	123,127	131,889	0	131,889
GRV–Commercial Vacant Land	11.6572	47	2,287,850	266,699	2,243	268,942	266,699	0	266,699
UV–Primary Production	0.4328	754	611,129,000	2,644,963	11,069	2,656,032	2,644,963	0	2,644,963
UV–Rural	0.4240	1,545	812,534,500	3,445,146	(74,394)	3,370,752	3,445,146	0	3,445,146
UV–Commercial	0.7825	157	100,095,000	783,243	(28,717)	754,526	783,243	0	783,243
Interim Rates		0	0	0	0	0	0	630,850	630,850
Sub-Totals		19,657	1,905,805,635	47,087,859	486,641	47,574,500	47,087,859	630,850	47,718,709
Minimum	\$								
Minimum Differential General Rate									
GRV–Residential	1,410	1,262	16,249,976	1,779,420	0	1,779,420	1,779,420	0	1,779,420
GRV–Residential Holiday Homes	1,465	26	323,440	38,090	0	38,090	38,090	0	38,090
GRV–Industrial	1,410	20	196,498	28,200	0	28,200	28,200	0	28,200
GRV–Commercial	1,410	631	4,710,997	889,710	0	889,710	889,710	0	889,710
GRV–Residential Vacant Land	1,410	1,045	7,132,634	1,473,450	0	1,473,450	1,473,450	0	1,473,450
GRV–Industrial Vacant Land	1,410	0	0	0	0	0	0	0	0
GRV–Commercial Vacant Land	1,410	63	398,840	88,830	0	88,830	88,830	0	88,830
UV–Primary Production	1,410	248	59,643,500	349,680	0	349,680	349,680	0	349,680
UV–Rural	1,540	1,112	269,015,500	1,712,480	0	1,712,480	1,712,480	0	1,712,480
UV–Commercial	1,410	90	4,262,937	126,900	0	126,900	126,900	0	126,900
Sub-Totals		4,497	361,934,322	6,486,760	0	6,486,760	6,486,760	0	6,486,760
Other Adjustments (refer note 27(d))						118,301			123,919
Total Amount Raised from General Rates						54,179,561			54,329,388
Specified Area Rate (refer note 27(b))						606,213			604,392
Totals						54,785,774			54,933,780

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27(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	1.5994	GRV	14,319,056	229,019	229,019	229,019	229,019
• Rate				(894)	0	(894)	0
• Interim Rate				0	0	0	0
• Back Rate							
				228,125	229,019	228,125	229,019

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Providence	1.4918	GRV	12,634,680	188,484	188,484	188,484	188,484
• Rate	0.0145	UV	5,298,000	768	768	768	768
• Rate				1,634	0	1,634	0
• Interim Rate				0	0	0	0
• Back Rate							
				190,886	189,252	190,886	189,252

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Vasse	1.8707	GRV	9,949,300	186,121	186,121	186,121	186,121
• Rate				1,081	0	1,081	0
• Interim Rate				0	0	0	0
• Back Rate							
				187,202	186,121	187,202	186,121

The purpose of the Specified Area Rates is disclosed in note 30 "Purpose of Reserves".

27(c) Service Charges – 2021/22 Financial Year

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

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27(d) Discounts, Incentives, Concessions & Write-offs

	Type	Discount %	Total Cost / Value \$	Budget Cost / Value \$
Other	Adjustment	0	118,301	123,919
Write-offs	Write-off	0	0	0
		0	118,301	123,919

27(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	10/09/2021	0	0.0%	7.0%
OPTION TWO				
(Four equal or near equal bi-monthly instalments)				
First instalment	10/09/2021	0	5.5%	7.0%
Second instalment	10/11/2021	6.1	5.5%	7.0%
Third instalment	10/01/2022	6.1	5.5%	7.0%
Fourth instalment	10/03/2022	6.1	5.5%	7.0%
OPTION THREE				
40 equal or near equal weekly instalments	10/09/2021	30.50	5.5%	7.0%
OPTION FOUR				
20 equal or near equal fortnightly instalments	10/09/2021	25.50	5.5%	7.0%
OPTION FIVE				
10 equal or near equal monthly instalments	10/09/2021	20.50	5.5%	7.0%

	Actual Revenue 2022 \$	Budgeted Revenue 2022 \$
Interest on Unpaid Rates	170,721	150,000
Interest on Instalments Plan	264,150	259,250
Charges on Instalment Plan	115,929	119,850
	550,800	529,100

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27(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 10th September 2021 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 10th September 2021 or 35 days after the date of service appearing on the rate notice whichever is the later and including all arrears and service charges and one quarter of the current rates. The second, third and fourth instalments of the current rates are to be made on or before dates shown below:

- | | |
|------------------------------|---------------------------------|
| • 1 st Instalment | 10 th September 2021 |
| • 2 nd Instalment | 10 th November 2021 |
| • 3 rd Instalment | 10 th January 2022 |
| • 4 th Instalment | 10 th March 2022 |

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.

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28 Rate Setting Statement Information

		2021/22 Actual (30 June 22 Carried Forward) \$	2021/22 Budget (30 June 22 Brought Forward) \$	2021/22 Actual (1 July 21 Brought Forward) \$	2020/21 Actual (30 June 21 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 Rate Setting Statement in accordance with Financial Management Regulation 32.				
	Adjustments to operating activities				
	Less: Profit on asset disposals	(68,489)	(46,714)	(148,677)	(148,677)
	Less: Non-cash grants and contributions for assets	2 (12,518,962)	(5,600,000)	(9,424,331)	(9,424,331)
	Add: Movement in liabilities associated with restricted cash	1,452,003	(3,008,813)	1,978,405	1,978,405
	Less: Movement in finance leases	0	0	(2,852,822)	(2,852,822)
	Less: Fair value adjustments to financial assets at fair value through profit and loss	(935,915)	0	0	0
	Less: Movement in pensioner deferred rates (non-current)	5 (16,835)	0	11,499	11,499
	Add: Movement in employee benefit provisions	15 314,699	0	314,957	314,957
	Less: Movement in Other provisions	16 (430,000)	0	0	0
	Add: Loss on disposal of assets	748,170	65,149	521,958	521,958
	Add: Depreciation on non-current assets	10(a) 24,526,198	24,957,238	24,607,001	24,607,001
	Non cash amounts excluded from operating activities	13,070,869	16,366,860	15,007,990	15,007,990
(b)	Surplus/(deficit) after imposition of general rates				
	The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement 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 (98,125,758)	(54,720,367)	(73,693,717)	(73,693,717)
	Less: Financial assets at amortised cost - self-supporting loans	4(a) (177,873)	(59,374)	(59,374)	(59,374)
	Less: Other Assets	7(a) (367,384)	(197,380)	(197,380)	(197,380)
	- Current portion of lease receivables	5.1 (230,175)	0	(217,910)	(217,910)
	Less : Assets held for sale	7(b) 0	0	(2,035,508)	(2,035,508)
	Add: Current liabilities not expected to be cleared at end of year				
	- Current portion of borrowings	14 4,330,300	3,100,000	3,020,442	3,020,442
	- Current portion of contract liability held in reserve/ restricted cash	13.1 1,603,261	3,000,000	2,521,219	2,521,219
	- Current portion of grant liability held in reserve/ restricted cash	13.2 1,396,224	1,000,000	988,563	988,563
	- Current portion of deposits and bonds held in restricted cash	12 4,069,438	3,424,482	3,424,482	3,424,482
	- Current portion of lease liabilities	29(e) 253,212	250,975	492,042	492,042
	- Current portion of employee benefit provisions	15 5,911,972	5,415,169	5,502,681	5,502,681
	- Current portion of other provisions	16 0	0	430,000	430,000
	Total adjustments to net current assets	(81,336,782)	(38,786,495)	(59,824,460)	(59,824,460)
	Net current assets used in the Rate Setting Statement				
	Total current assets	103,844,316	62,894,690	86,349,046	86,349,046
	Less: Total current liabilities	(22,165,726)	(22,990,014)	(24,076,206)	(24,076,206)
	Less: Total adjustments to net current assets	(81,336,782)	(38,786,495)	(59,824,460)	(59,824,460)
	Net current assets used in the Rate Setting Statement	341,808	1,118,181	2,448,380	2,448,380

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29. Information on Borrowings

(a)	Borrowings Particulars	Borrowing Institution	Int. %	Maturity Date	Principal	New Loans	New Loans	Principal Repayment		Principal		Interest Repayment	
					1 July 2021	2021/22 Budget	2021/22 Actual	2021/22 Budget	2021/22 Actual	2021/22 Budget	2021/22 Actual	2021/22 Budget	2021/22 Actual
C	Administration												
	Loan #207 Civic and Administration Centre	WATC	4.51	06/34	13,369,906	0	0	774,864	774,864	12,595,043	12,595,042	590,000	589,905
	Recreation & Culture												
C	Loan #202 Geothermal Heating GLC	WATC	3.98	06/23	124,379	0	0	60,958	60,958	63,421	63,421	4,048	4,041
C	Loan #204 Busselton Foreshore	WATC	4.36	06/29	677,015	0	0	72,352	72,352	604,663	604,663	28,346	28,337
C	Loan #205 GLC Extensions	WATC	3.92	06/24	411,782	0	0	131,942	131,942	279,840	279,840	14,218	14,204
S	Loan #208 Busselton Football & Sportsman's Club	WATC	2.93	04/25	12,755	0	0	3,051	3,051	9,705	9,704	340	340
C	Loan #209 Busselton Foreshore	WATC	3.56	06/27	3,610,992	0	0	549,793	549,793	3,061,200	3,061,199	121,266	121,213
C	Loan #211 Busselton Foreshore	WATC	2.55	10/24	1,387,819	0	0	384,003	384,003	1,003,817	1,003,816	31,737	30,087
S	Loan #212 Dunsborough and Districts Country Club	WATC	3.04	05/27	72,478	0	0	11,187	11,187	61,292	61,291	2,119	2,064
S	Loan #213 Geographe Bay Yacht Club	WATC	3.04	05/27	63,577	0	0	9,813	9,813	53,765	53,764	1,859	1,810
S	Loan #214 Dunsborough & Districts Country Club	WATC	3.19	09/27	75,391	0	0	10,613	10,613	64,777	64,776	2,321	2,234
C	Loan #215 Busselton Foreshore Jetty Precinct	WATC	3.25	04/28	1,832,659	0	0	237,180	237,180	1,595,479	1,595,479	57,650	56,281
C	Loan #216 Tennis Club Facilities	WATC	3.25	04/28	2,015,926	0	0	260,898	260,898	1,755,027	1,755,028	63,415	61,909
C	Loan #217 Lot 10 Commonage Road	WATC	3.25	04/28	1,172,902	0	0	151,795	151,795	1,021,107	1,021,107	36,896	36,020
C	Loan #218 Busselton Tennis Club	WATC	2.21	06/29	1,024,748	0	0	118,433	118,433	906,314	906,315	21,670	21,663
S	Loan #220 Busselton Tennis Club	WATC	1.37	09/26	37,900	0	0	7,011	7,011	30,889	30,889	483	483
S	Loan #221 Busselton Hockey Club Stadium	WATC	1.31	06/30	40,819	0	0	4,302	4,302	36,517	36,517	514	514
S	Loan #222 Busselton Golf Club	WATC	1.45	06/31	110,000	0	0	10,297	10,297	99,703	99,703	1,666	1,540
S	Loan #223 Dunsborough Bay Yacht Club	WATC	1.57	12/26	0	0	25,000	0	2,413	0	22,587	0	240
S	Loan #224 Geographe Bay Yacht Club	WATC	2.42	12/31	0	0	50,000	0	2,224	0	47,776	0	443
C	Loan #225 Performing Arts/Convention Centre	WATC	2.10	12/31	0	5,000,000	5,000,000	467,852	225,924	4,532,148	4,774,076	70,446	44,868
C	Loan #226 Performing Arts/Convention Centre	WATC	2.39	12/36	0	5,000,000	5,000,000	143,468	139,529	4,856,532	4,860,471	50,139	51,255
S	Loan #New Community Groups	Unknown	2.77	06/32	0	200,000	0	9,215	0	190,785	0	1,680	0
S	Loan #227 MRBTA - Ancient Lands Discovery Park	WATC	2.77	03/32	0	1,250,000	1,250,000	23,576	27,227	1,226,424	1,222,773	17,231	10,070
S	Loan #New Jetty AUDC	Unknown	2.77	06/32	0	4,000,000	0	174,868	0	3,825,132	0	54,797	0
C	Loan #228 Performing Arts/Convention Centre	WATC	3.86	06/42	0	0	5,000,000	0	0	0	5,000,000	0	33,556
C	Loan #229 Performing Arts/Convention Centre	WATC	3.77	06/39	0	0	5,000,000	0	0	0	5,000,000	0	32,763
	Transport												
C	Loan #203 Land Acquisition for Parking	WATC	4.19	09/21	40,142	0	0	40,142	40,142	0	0	420	416
C	Loan #206 Airport Jet A1 Installation	WATC	3.92	06/24	120,103	0	0	38,483	38,482	81,620	81,622	4,147	4,143
C	Loan #219 Air Freight Hub Stage 1	WATC	2.21	06/29	1,213,301	0	0	140,225	140,224	1,073,076	1,073,077	25,657	25,649
	Economic Services												
S	Loan #201 Geographe Bay Tourism Association	WATC	4.76	09/21	3,102	0	0	3,100	3,102	0	0	38	36
	Other Property and Services												
C	Loan #210 Lot 40 Vasse Highway	WATC	3.61	12/25	850,000	0	0	0	0	850,000	850,000	30,685	30,685
	Total - Council and Self-supporting Loans				28,267,696	15,450,000	21,325,000	3,839,421	3,417,759	39,878,276	46,174,938	1,233,788	1,206,769
C	Council Loans are financed by general purpose revenue.				27,851,674	10,000,000	20,000,000	3,572,388	3,326,519	34,279,287	44,525,156	1,150,740	1,186,995
S	Self-Supporting Loans are financed by payments from third parties.				416,022	5,450,000	1,325,000	267,033	91,240	5,598,989	1,649,782	83,048	19,774
					28,267,696	15,450,000	21,325,000	3,839,421	3,417,759	39,878,276	46,174,938	1,233,788	1,206,769

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29. Information on Borrowings (continued)

(b) New Borrowings – 2021/22

Particulars / Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate %	Amount Used		Balance Unspent
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan #223 Dunsborough Bay Yacht Club	25,000	25,000	WATC	Debenture	5 years	26,089	1.5668%	25,000	25,000	0
Loan #224 Geographe Bay Yacht Club	50,000	50,000	WATC	Debenture	10 years	56,279	2.4174%	50,000	50,000	0
Loan #New Community Groups SSL	0	125,000	Unknown	Debenture	10 years	0	0.0000%	0	0	0
Loan #225 Performing Arts/Convention Centre	5,000,000	5,000,000	WATC	Debenture	10 years	5,548,865	2.0990%	5,000,000	5,000,000	0
Loan #226 Performing Arts/Convention Centre	5,000,000	5,000,000	WATC	Debenture	15 years	5,954,253	2.3855%	682,964	5,000,000	4,317,036
Loan #New Jetty AUDC	0	4,000,000	Unknown	Debenture	10 years	0	0.0000%	0	0	0
Loan #227 MRBTA – Ancient Lands Discovery Park	1,250,000	1,250,000	WATC	Debenture	10 years	1,436,812	2.7713%	1,250,000	1,250,000	0
Loan #228 Performing Arts/Convention Centre	5,000,000	0	WATC	Debenture	20 years	7,231,161	3.8589%	0	0	5,000,000
Loan #229 Performing Arts/Convention Centre	5,000,000	0	WATC	Debenture	17 years	6,826,084	3.7678%	0	0	5,000,000
	21,325,000	15,450,000				27,079,543		7,007,964	11,325,000	14,317,036

(c) Unspent Borrowings

Particulars / Purpose	Date Borrowed	Balance 1 July 2021 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 2022 \$
Loan #216 Tennis Club Facilities	27 th April 2018	49,341	0	0	49,341
Loan #226 Performing Arts/Convention Centre	25 th January 2022	0	5,000,000	(682,964)	4,317,036
Loan #228 Performing Arts/Convention Centre	28 th April 2022	0	5,000,000	0	5,000,000
Loan #229 Performing Arts/Convention Centre	28 th April 2022	0	5,000,000	0	5,000,000
		49,341	15,000,000	(682,964)	14,366,377

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	2022 Actual \$	2021 Actual \$
29. Information on Borrowings (continued)		
(d) 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	(28,053)	(22,384)
Total amount of credit unused	871,947	877,616
Loan facilities		
Loan facilities - current	4,330,300	3,020,442
Loan facilities - non-current	41,844,638	25,247,254
Total facilities in use at balance date	46,174,938	28,267,696

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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.

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.

	2022 Actual \$	2022 Budget \$	2021 Actual \$
(e) Lease Liabilities			
Current	253,212	250,975	492,042
Non-current	188,483	114,652	439,461
	441,695	365,627	931,503

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30. Reserves – Cash/ Financial Asset Backed

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Airport Infrastructure Renewal Reserve	1,471,767	5,249	(217,201)	1,259,815	1,471,767	2,928	(435,150)	1,039,545	1,712,273	11,771	(252,277)	1,471,767
Airport Marketing and Incentive Reserve	5,287,408	1,644,004	(545,513)	6,385,899	5,287,408	971,168	(2,350,000)	3,908,576	4,073,791	1,213,617	0	5,287,408
Airport Noise Mitigation Reserve	796,148	2,685	(115,139)	683,694	796,148	1,585	(198,550)	599,183	904,897	5,554	(114,303)	796,148
Airport Development Reserve	0	0	0	0	0	0	0	0	1,577	(199)	(1,378)	0
Airport Existing Terminal Building Reserve	206,250	122,504	(5,629)	323,125	206,250	121,867	(12,200)	315,917	122,795	83,455	0	206,250
Building Asset Renewal Reserve	2,093,333	812,691	(214,571)	2,691,453	2,093,333	807,145	(871,000)	2,029,478	1,483,242	1,046,717	(436,626)	2,093,333
Barnard Park Sports Pavilion Building Reserve	71,950	34,039	0	105,989	71,950	33,835	(12,500)	93,285	41,352	30,598	0	71,950
Railway House Building Reserve	56,792	22,117	(15,822)	63,087	56,792	22,001	(18,600)	60,193	36,854	19,938	0	56,792
Youth and Community Activities Building Reserve	123,843	48,303	(13,989)	158,157	123,843	48,001	(30,000)	141,844	80,355	43,488	0	123,843
Busselton Library Building Reserve	57,065	57,364	(25,503)	88,926	57,065	57,177	(33,900)	80,342	111,022	46,043	(100,000)	57,065
Busselton Community Resource Centre Reserve	324,999	97,706	0	422,705	324,999	96,951	(37,550)	384,400	272,694	88,405	(36,100)	324,999
Busselton Jetty Tourist Park Reserve	636,808	774,664	(170,368)	1,241,104	636,808	359,579	(216,050)	780,337	222,753	585,076	(171,021)	636,808
Geographe Leisure Centre Building Reserve	119,033	290,940	(95,846)	314,127	119,033	290,642	(285,150)	124,525	615,084	265,124	(761,175)	119,033

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

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Joint Venture Aged Housing Reserve	1,363,306	177,587	(49,668)	1,491,225	1,363,306	123,273	(169,200)	1,317,379	1,237,307	199,324	(73,325)	1,363,306
Winderlup Aged Housing Resident Funded Reserve	292,717	72,537	(8,351)	356,903	292,717	52,231	(81,600)	263,348	212,935	79,782	0	292,717
Naturaliste Community Centre Building Reserve	129,592	67,151	(26,654)	170,089	129,592	66,816	(98,600)	97,808	125,077	60,710	(56,195)	129,592
Civic and Administration Building Reserve	670,359	342,853	(516,203)	497,009	670,359	341,712	(615,000)	397,071	429,689	285,733	(45,063)	670,359
Vasse Sports Pavilion Building Reserve	1,082	602	0	1,684	1,082	597	0	1,679	541	541	0	1,082
Jetty Maintenance Reserve	5,682,364	1,370,882	(732,944)	6,320,302	5,682,364	1,359,606	(4,221,890)	2,820,080	5,239,343	1,359,365	(916,344)	5,682,364
Jetty Self Insurance Reserve	495,086	78,324	0	573,410	495,086	77,296	0	572,382	432,198	62,888	0	495,086
Road Assets Renewal Reserve	1,317,210	3,660,291	(3,057,288)	1,920,213	1,317,210	3,655,678	(4,553,734)	419,154	1,597,129	3,514,710	(3,794,629)	1,317,210
Footpath/ Cycle Ways Reserve	838,835	1,245,095	(837,293)	1,246,637	838,835	1,242,385	(1,849,206)	232,014	408,438	1,222,406	(792,009)	838,835
Other Infrastructure Reserves	538,847	364,368	(499,484)	403,731	538,847	363,427	(501,705)	400,569	264,389	359,835	(85,377)	538,847
Parks, Gardens and Reserves Reserve	749,657	1,475,845	(1,592,275)	633,227	749,657	1,474,148	(1,956,750)	267,055	833,946	1,293,941	(1,378,230)	749,657
Furniture and Equipment Reserve	332,483	443,442	(259,744)	516,181	332,483	442,258	(485,800)	288,941	257,784	437,305	(362,606)	332,483
Plant Replacement Reserve	2,114,189	1,027,731	(443,847)	2,698,073	2,114,189	1,080,707	(1,287,969)	1,906,927	1,098,442	1,224,484	(208,737)	2,114,189

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Major Traffic Improvements Reserve	237,210	1,138,233	(190,709)	1,184,734	237,210	1,135,260	(375,000)	997,470	638,846	1,090,195	(1,491,831)	237,210
CBD Enhancement Reserve	1,269,967	567,097	(503,642)	1,333,422	1,269,967	564,095	(1,516,517)	317,545	613,762	778,598	(122,393)	1,269,967
New Infrastructure Development Reserve	884,968	11,513	(172,787)	723,694	884,968	10,290	(637,350)	257,908	1,506,176	201,423	(822,631)	884,968
Commonage Precinct Infrastructure Road Reserve	236,349	469	(236,000)	818	236,349	471	(236,000)	820	234,907	1,442	0	236,349
City Car Parking and Access Reserve	792,732	938,447	(517,291)	1,213,888	792,732	935,595	(1,016,812)	711,515	1,555,123	60,006	(822,397)	792,732
Debt Default Reserve	501,841	530	(400,000)	102,371	501,841	997	(400,000)	102,838	0	501,841	0	501,841
Corporate IT Systems Reserve	328,722	264,514	(214,716)	378,520	328,722	263,655	(250,050)	342,327	226,750	101,972	0	328,722
Election, Valuation and Other Corporate Expenses Reserve	715,027	142,691	(603,387)	254,331	715,027	141,423	(638,000)	218,450	560,995	154,032	0	715,027
Legal Expenses Reserves	671,629	2,326	(35,661)	638,294	588,129	1,170	(50,000)	539,299	636,940	114,689	(80,000)	671,629
Marketing and Area Promotion Reserve	522,266	1,397,678	(1,264,241)	655,703	522,266	1,395,264	(1,697,678)	219,852	166,392	1,302,316	(946,442)	522,266
Performing Arts and Convention Centre Reserve	1,332,269	1,323,173	(269,149)	2,386,293	1,332,269	321,801	(1,188,446)	465,624	2,625,599	66,130	(1,359,460)	1,332,269
Long Service Leave Reserve	3,653,494	929,736	(528,649)	4,054,581	3,653,494	457,267	(544,808)	3,565,953	3,482,110	572,652	(401,268)	3,653,494
Professional Development Reserve	185,931	669	(30,386)	156,214	185,931	370	(50,000)	136,301	145,029	92,370	(51,468)	185,931

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Sick Pay Incentive Reserve	106,241	363	(27,128)	79,476	106,241	210	(74,850)	31,601	144,632	(6,375)	(32,016)	106,241
Workers Compensation & Extended Sick Leave Contingency Reserve	218,482	736	(25,000)	194,218	218,482	435	(25,000)	193,917	309,750	1,901	(93,169)	218,482
Community Facilities - City District	1,295,065	422,344	(633,509)	1,083,900	1,295,065	344,371	(960,650)	678,786	1,120,869	596,851	(422,655)	1,295,065
Community Facilities - Broadwater	185,047	12,686	0	197,733	185,047	15,925	0	200,972	166,414	18,633	0	185,047
Community Facilities - Busselton	39,788	35,270	(3,351)	71,707	39,788	21,213	0	61,001	9,177	30,611	0	39,788
Community Facilities – Dunsborough	334,282	131,164	0	465,446	334,282	34,151	(110,000)	258,433	255,153	79,129	0	334,282
Community Facilities - Dunsborough Lakes Estate	943,223	3,216	(234,004)	712,435	943,223	1,876	(938,000)	7,099	937,469	5,754	0	943,223
Community Facilities - Geographe	114,007	25,268	(1,839)	137,436	114,007	10,655	0	124,662	101,979	12,028	0	114,007
Community Facilities - Port Geographe	351,123	1,299	0	352,422	351,123	698	0	351,821	348,981	2,142	0	351,123
Community Facilities - Vasse	174,754	399	0	175,153	174,754	192,142	0	366,896	489,904	2,895	(318,045)	174,754
Community Facilities - Airport North	3,164,953	11,711	0	3,176,664	3,164,953	119,834	0	3,284,787	3,017,488	147,465	0	3,164,953
Locke Estate Reserve	6,458	61,130	(61,000)	6,588	6,458	65,012	(65,000)	6,470	6,269	60,189	(60,000)	6,458
Port Geographe Development Reserve	117,836	56,091	(46,930)	126,997	117,836	55,907	(147,175)	26,568	224,953	53,311	(160,428)	117,836

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Port Geographe Waterways Management Reserve	3,168,297	239,520	(347,214)	3,060,603	3,168,297	235,323	(380,650)	3,022,970	3,275,192	243,331	(350,226)	3,168,297
Provence Landscape Maintenance Reserve	1,254,363	195,667	(126,470)	1,323,560	1,254,363	191,747	(208,900)	1,237,210	1,308,477	191,215	(245,329)	1,254,363
Vasse Newtown Landscape Maintenance Reserve	667,371	189,846	(189,118)	668,099	667,371	187,451	(206,975)	647,847	636,364	186,598	(155,591)	667,371
Commonage Precinct Bushfire Facilities Reserve	58,530	217	0	58,747	58,530	116	0	58,646	58,173	357	0	58,530
Commonage Community Facilities Dunsborough Lakes South Reserve	74,232	275	0	74,507	74,232	147	0	74,379	73,779	453	0	74,232
Commonage Community Facilities South Biddle Precinct Reserve	905,216	3,350	0	908,566	905,216	1,799	0	907,015	899,694	5,522	0	905,216
Busselton Area Drainage and Waterways Improvement Reserve	448,845	1,638	(319,875)	130,608	448,845	893	(391,500)	58,238	475,582	2,854	(29,591)	448,845
Coastal and Climate Adaptation Reserve	1,503,542	858,810	(1,795,442)	566,910	1,503,542	860,691	(2,240,900)	123,333	2,157,593	586,316	(1,240,367)	1,503,542
Emergency Disaster Recovery Reserve	114,793	20,823	(60,662)	74,954	114,793	20,577	0	135,370	94,137	20,656	0	114,793
Energy Sustainability Reserve	224,270	105,954	(161,818)	168,406	224,270	105,510	(187,100)	142,680	137,955	104,042	(17,727)	224,270
Cemetery Reserve	99,547	175,165	(32,713)	241,999	99,547	78,197	(100,300)	77,444	35,871	108,206	(44,530)	99,547
Public Art Reserve	46,526	203,018	0	249,544	46,526	90	0	46,616	87,052	534	(41,060)	46,526
Waste Management Facility and Plant Reserve	8,486,937	1,907,237	(2,107,022)	8,287,152	8,486,937	1,123,863	(3,085,500)	6,525,300	7,629,359	1,378,245	(520,667)	8,486,937

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

	2021/22 Actual				2021/22 Budget				2020/21 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 \$
Strategic Projects Reserve	350,906	2,558,670	0	2,909,576	350,906	54,448	0	405,354	295,560	55,346	0	350,906
Prepaid Grants and Deferred Works & Services Reserve	1,361,166	1,979,866	(1,361,521)	1,979,511	1,361,166	2,708	(1,285,804)	78,070	1,391,422	1,286,742	(1,316,998)	1,361,166
Busselton Foreshore Reserve	111	12,578	0	12,689	111	12,550	0	12,661	100	11	0	111
LED Street Lighting Replacement Program Reserve	121	50,110	(12,134)	38,097	121	50,000	(50,000)	121	0	50,121	(50,000)	121
Waterways Restoration Reserve	0	10	0	10	0	22	0	22	0	0	0	0
	62,919,560	30,220,481	(21,956,700)	71,183,341	62,836,058	22,109,232	(39,381,069)	45,564,221	59,897,884	23,803,360	(20,781,684)	62,919,560

City of Busselton

Financial Report

For the Year Ended 30 June 2022

30. 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:

Airport Infrastructure Renewal Reserve

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

Airport Marketing and Incentive Reserve

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

Airport Noise Mitigation Reserve

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

Airport Development Reserve

To provide funds for new capital works and infrastructure projects that contribute to expanding the operations and capacity of the airport including potential revenue generating opportunities (to be closed in 20/21 and added to Airport Infrastructure Renewal and Replacement Reserve).

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.

Building Asset Renewal Reserve

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.

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.

Railway House Building Reserve

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

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.

Busselton Library Building Reserve

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

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

Busselton Jetty Tourist Park Reserve

To provide funding for capital, maintenance and promotional/ marketing requirements.

Geopraphe Leisure Centre Building Reserve

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

Joint Venture Aged Housing Reserve

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

Winderlup Aged Housing Resident Funded Reserve

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

Naturaliste Community Centre Building Reserve

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

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.

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.

Jetty Maintenance Reserve

To provide funding for the maintenance, renewal, replacement, upgrading and future Capital works requirements for the asset.

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 for large unbudgeted extraordinary jetty repairs.

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.

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.

Other Infrastructure Reserve

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

Parks, Gardens and Reserves Reserve

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

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.

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.

CBD Enhancement Reserve

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

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.

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.

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.

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).

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.

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.

Legal Expenses Reserve

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

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

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.

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.

Long Service Leave Reserve

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

Professional Development Reserve

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

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.

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.

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 – 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 – 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.

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

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

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.

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.

Locke Estate Reserve

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

Port Geographe Development Reserve

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

Port Geographe Waterways Management 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 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.

Vasse Newtown Landscape Maintenance 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.

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 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.

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.

City of Busselton

Financial Report

For the Year Ended 30 June 2022

30. Reserves – Cash/ Financial Asset Backed (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 and improvements/ upgrades of infrastructure susceptible to climate change.

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.

Cemetery Reserve

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

Public Art Reserve

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

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 may include contaminated sites within the District.

Strategic Projects Reserve

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

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.

Busselton Foreshore Reserve

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

LED Street Lighting Replacement Program Reserve

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

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 2022

31. 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 2021 \$	Amounts Received \$	Amounts Paid \$	Balance 30 June 2022 \$
Builders Registration Board Levies	32,621	1,010,281	(969,371)	73,531
Building Training Levy	3,964	57,867	(46,942)	14,889
Cash in Lieu of Public Open Space	919,820	2,634	(777,315)	145,139
Contiguous Local Authorities Group (CLAG) Funding	21,223	31,787	(27,461)	25,549
Nomination Deposits	0	1,120	(1,120)	0
	977,628	1,103,689	(1,822,209)	259,108

32. Major Land Transactions

The City did not participate in any major land transactions during the year.

33. Trading Undertakings and Major Trading Undertakings

There were no material trading undertakings and major trading undertakings that require disclosure at the end of the reporting period.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 City of Busselton

To the Councillors 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 at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement 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 2022 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, 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.

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 2022, 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 of the City is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and 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 control 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 ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control 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 2022 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.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
16 November 2022



Our Ref: 8253

Chief Executive Officer
City of Busselton
Locked Bag 1
BUSSELTON WA 6280

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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

Email: ceo@busselton.wa.gov.au

Dear Sir

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Office has completed the audit of the annual financial report for your City. 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 Mayor and the Minister for Local Government, as required by the Act. You are 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.

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. Also attached is a copy of our interim management letter that was issued on 13 June following the completion of the interim audit. Issues identified from the information systems audit will be communicated to you separately.

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.

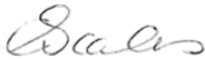
The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 14 September 2022.

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 sincerely

A handwritten signature in black ink, appearing to read 'Carly Meagher'.

Carly Meagher
Director
Financial Audit
16 November 2022

Attach

ATTACHMENT

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings Identified in the Prior Year:			
1. Asset Management Policy/Procedure			✓
2. Asset Stocktake			✓

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 may be reported as a matter of non-compliance in the audit report 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 report, 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

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Asset Management Policy/Procedure

Finding 2022

This issue has not been fully resolved. Management is in the process of developing operational procedures to address this finding.

Finding 2021

The City does not have comprehensive asset management procedures to manage its non-current assets.

We acknowledge that management is in the process of developing an asset management policy and procedure to provide comprehensive guidance to staff to manage the City's non-current assets.

Rating: Minor

Implication

Good policies and procedures provide essential guidance for staff to manage the City's assets in accordance with management's expectations. Lack of formal and comprehensive policies and procedures that are readily available to staff increases the risk of mismanagement and recording of assets.

Recommendation

We recommend that management develop a comprehensive procedure for managing the City's assets, including acquisition, assignment of useful life, recording, identification, tracking (e.g., stocktake), disposal and response to theft, damage, or loss. The policies and procedures can also cover the management of portable and attractive assets.

Management Comment

A draft operational procedure is now being considered by the senior management group.

Responsible Person: Paul Sheridan
Completion Date: 30 September 2022

ATTACHMENT

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Asset Stocktake

Finding 2022

This issue has not yet been resolved. Management is in the process of developing operational procedures to address this finding. A stocktake for 2021/22 has not been performed.

Finding 2021

The City does not have an asset stocktake policy or procedure in place for its plant and equipment type assets, which includes furniture and fittings.

In prior years, the City had relied on the periodic asset revaluation process to verify the existence and condition of its non-current assets, as well as the completeness of its asset register. But in 2019-20 following changes to the Local Government (Financial Management) Regulations, plant and equipment type assets are now measured at cost, resulting in these assets no longer included as part of the revaluation process.

We acknowledge that the City has started to explore options for a stocktake of assets.

**Rating: Minor
Implication**

The absence of a periodic asset stocktake means that discrepancies between the accounting and physical records will not be detected and corrected on a timely basis. This could result in failure to detect theft or loss and/or a misstatement of asset balances in the annual financial report.

Recommendation

We recommend that management develop an asset stocktake policy or procedure that outlines the frequency of the stocktakes, the stocktake process and the responsibilities of the officers involved. Management should ensure that periodic physical checks are carried out by independent officers, to confirm the existence of assets and that records are updated in a timely manner.

Management Comment

A draft operational procedure is now being considered by the senior management group.

Responsible Person: Paul Sheridan
Completion Date: 30 September 2022

ATTACHMENT

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Management of Unrestricted Funds		√	

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 report, 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

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. MANAGEMENT OF UNRESTRICTED FUNDS

Finding

It was noted that the City initially had a negative unrestricted cash balance at year end of \$304,759. This has resulted due to the transfer of funds on 30 June 2022 from unrestricted cash to various restricted reserve accounts as per Council approval. It is acknowledged that expected funds were received subsequent to year end rectifying the City's negative unrestricted cash position.

Audit adjustments processed have resulted in the balance of unrestricted cash being \$29,695.

The management of cash resources is a key control and forms part of the CEO's responsibility in ensuring that the resources of the local government are effectively and efficiently managed.

**Rating: Moderate
Implication**

Without adequate controls in the management of cash resources, there is an increased risk of incurring expenditure that the local government may not be able to fund.

Recommendation

We recommend that management enhance their procedures to ensure that these timing differences do not occur. In addition, we recommend that the City review its reserve accounts to determine whether they are all required to be held as restricted funds. There are currently 70 reserve accounts and \$98,125,758 held in restricted funds.

Management comment

The initial draft reports presented contained what appeared to be a negative unrestricted cash balance. This however was due to a clerical error on behalf of Main Roads WA, whereby \$500K of grant funding was paid in error into the City's Trust Account, instead of the Municipal Account. This error was also not picked up and accounted for by City staff prior to the draft accounts being sent to the OAG. The actual unrestricted cash balance was never in fact negative.

It's important to note that Local Governments usually adopt a "balanced budget". This is encouraged by the way the Rate Setting Statement is developed and used to inform "how much funds are required from rates to balance the budget." (Local Government Accounting Manual Section 4 Part 2) If LG's adopted a surplus budget to ensure a significant amount of unrestricted cash at year end, this would mean that a LG would be "over-rating/charging" the general public, which would be inappropriate.

A large proportion of the restricted funds (circa \$25M), are held in Councils "Discretionary Reserves". These funds must be used in accordance per the reserve purposes, however Council has the discretion to approve alternate uses for these funds by way of a Council Decision.

ATTACHMENT

CITY OF BUSSELTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

In addition, a significant subsequent balance date event occurred on the 1st July 2022, being the transfer to the Municipal Account of approximately \$2m of prepaid Financial Assistance Grants from the Federal Government for the 2022/23 year. These funds were deliberately set aside and restricted when they were prepaid in May 2022, so that they could be appropriately applied for use in the 2022/23 financial year.

The combination of the above factors, in managements view, means that the City of Busselton has in fact managed its fiscal resources in a responsible, sustainable manner, and in accordance with the Act.

It is acknowledged however that 72 reserves, containing over \$97M in restricted funds, does magnify the administrative burden, as well as delay the application of some of the funds should an altered purpose be required for some of the discretionary type reserves. Research is currently underway as to how these reserves can be appropriately consolidated and rationalised, with a plan to present the changes to Council in preparation for the 2023-24 budget.

As a result of this finding Management will:

- 1. Review of City Reserves to be undertaken with the view to rationalise and create an efficient and effective Reserve Ledger in preparation for the 2023/24 Annual Budget*
- 2. Review and refine if necessary, procedures to ensure all deposits are recorded in a timely and appropriate fashion.*

Responsible person: Manager Financial Services
Completion date: 30 June 2023

7. NEXT MEETING DATE

8. CLOSURE