



# ANNUAL REPORT



17/18



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## What is the Annual Report?

The annual report is a requirement of the *Local Government Act 1995* and other associated regulations. It is an overview of the operations, activities and major initiatives that have been completed by the Shire within the past financial year or will continue to be completed into the coming financial year.

## From the Shire President and Chief Executive Officer

Following a very productive year, we are pleased to present to the community this Annual Report. 2017/18 was a year of consolidation and review for the Shire of Exmouth after a period of disruption and instability. It included the election of a fresh Council and the establishment of a new executive management team.

During 2017/18 Council and the executive team worked extensively to review all aspect of Shire business, from service delivery to governance and legislative compliance. This provided Council and the Shire with a solid foundation on which to base future policy and operational decisions.

A key plank of this process was to undertake a major review of the Shire of Exmouth Strategic Community Plan. Almost 20 per cent of the community took the opportunity to participate in the review, sharing their aspirations for the community and helping establish the strategic direction for the Shire over the next 10 years. This review and the extensive public consultation that went along with it provided Council with valuable insight into the priorities and needs of the community as well as the financial and resourcing capabilities of the Shire.

While listening to the community, Council undertook significant training in financial management, governance, budgeting and meeting procedures and staff reviewed all aspects of their business units. Key questions were asked including: How can we do this better?

September 2017 marked an important milestone for the Exmouth community and we celebrated the 50<sup>th</sup> anniversary of the town and Harold E Holt as well as the official opening of the Ningaloo Centre. This event saw the community come together to celebrate our unique cultural heritage and how it has shaped our identity. The Ningaloo Centre was officially opened by the Premier of Western Australia, the Hon Mark McGowan MLA.

Other achievements through the year included the review of Town Planning Scheme 4, the development of business cases which have enabled positive conversations with key state government Ministers aimed at delivering a more sustainable local government and better quality infrastructure.

Both Council and the executive team are proud of the achievements of 2017/18. With a solid foundation of compliance and governance we look forward to providing good leadership for the benefit of all residents and ratepayers in the coming year.



Matthew Niikkula  
Shire President



Cameron Woods  
Chief Executive Officer





## **Our Vision**

To be a prosperous and sustainable community living in harmony with our natural environment.



## **Our Purpose**

To responsibly provide governance for the whole community in the best interest of current and future generations.




Image courtesy of Jana McGeachy

## **Our Strategic Objectives**

- Diversify and grow our economy in a manner that provides year round employment opportunities.
- To protect and value our unique natural and built environment as we grow our economy.
- To be a vibrant, passionate and safe community valuing our natural environment and unique heritage.
- To provide open transparent, accountable leadership working in collaboration with our community.



An aerial photograph of the Ningaloo Coast in Western Australia. The image shows a long, straight coastline with a wide, sandy beach. The ocean is a deep blue, with white waves breaking onto the shore. The land is a mix of brown and green, with some roads and buildings visible. The sky is a clear, bright blue.

**The Shire of Exmouth is situated 1,270km north of Perth, on the tip of the North West Cape in Western Australia. Exmouth is the gateway to the World Heritage Listed Ningaloo Coast, including the pristine Ningaloo Reef, Australia's largest fringing coral reef, and the rugged and spectacular Cape Range National Park.**

**While it was first established to support operations of the Naval Communication Station, Harold E Holt, Exmouth's primary economic driver is tourism. During the peak tourism season (April – October) Exmouth's resident population of 2,700 people balloons to more than 7,000 people. Tourists travel to Exmouth to swim with the biggest fish in the sea, the iconic Whaleshark, snorkel on the Ningaloo Reef, relax on the pristine coastline, fish, camp and explore the Cape Range National Park.**



## Our Council

The Shire of Exmouth is formed under the *Local Government Act 1995* and its operations and structures are a reflection of this State Legislation and its associated Regulations. Local Governments are also affected by many other pieces of Legislation which impose both powers and duties which must be carried out.

Members of the community are a vital part of the local government structure. Any member of the public who is an elector of the Shire may be elected a Councillor. Members who have been elected to represent the community meet regularly to make decisions on matters concerning the Council and to provide guidance to the Chief Executive Officer on community priorities and policy.

The Council during the period under review consisted of the following members:

Matthew Niikkula	Shire President	2021
Gary Mounsey	Deputy Shire President	2021
Ben Dixon	Councillor	2021
Heather Lake	Councillor	2019
Mark Lucas	Councillor	2019
Gavin Penfold	Councillor	2019



*(left to right) Cr Mark Lucas, Cr Gavin Penfold, Cr Heather Lake, Cr Ben Dixon, Cr Gary Mounsey, Shire President Matthew Niikkula*

## Elected Member's Attendance

Date	Type of Meeting	President Niikkula	Deputy President Mounsey	Cr Dixon	Cr Lake	Cr Lucas	Cr Penfold
23/10/17	SCM	✓	✓	✓	✓	✓	✓
6/11/17	OCM	✓	✓	✓	✓	✓	✓
21/12/17	OCM	✓	✓	✓	✓	L	✓
22/02/18	OCM	✓	✓	✓	✓	✓	L
7/03/18	SCM	✓	✓	✓	✓	✓	A
22/03/18	OCM	✓	✓	✓	✓	✓	✓
26/04/18	OCM	✓	✓	✓	✓	✓	✓
24/05/18	OCM	✓	✓	✓	✓	✓	✓
28/06/18	OCM	✓	✓	✓	L	✓	✓

OCM – Ordinary Council Meeting

SCM – Special Council Meeting

L – Leave

A - Apology

## About Council

The Shire of Exmouth was structured around four directorates during the 2017/18 financial year

- Executive Services
- Development Services
- Corporate Services
- Commercial and Community

Each directorate is headed by an Executive Manager who worked closely with the Chief Executive Officer on the day to day operations of the Shire of Exmouth.

Position	Officer
Chief Executive Officer	Cameron Woods
Deputy Chief Executive Officer	Keith Woodward
Executive Manager Corporate Services	Kevin Wilson (commenced 12/2/18)
Executive Manager Commercial and Community	Matthew Bird (commenced 21/8/17)

# Directorates

## Executive Services

- Strategic Planning
- Governance
- Policy
- Organisational Development

## Development Services

- Transport - Roads, Footpaths
- Parks & Recreation Grounds
- Infrastructure & Community Amenities
- Asset & Building Maintenance
- Qualing Scarp Waste Management
- Emergency /Ranger Services
- Building Services
- Environmental Health Services
- Swimming Pool
- Waste Management & Recycling
- Occupational, Health & Safety
- Town Planning Services
- Townscape
- Reserves Management

## Corporate Services

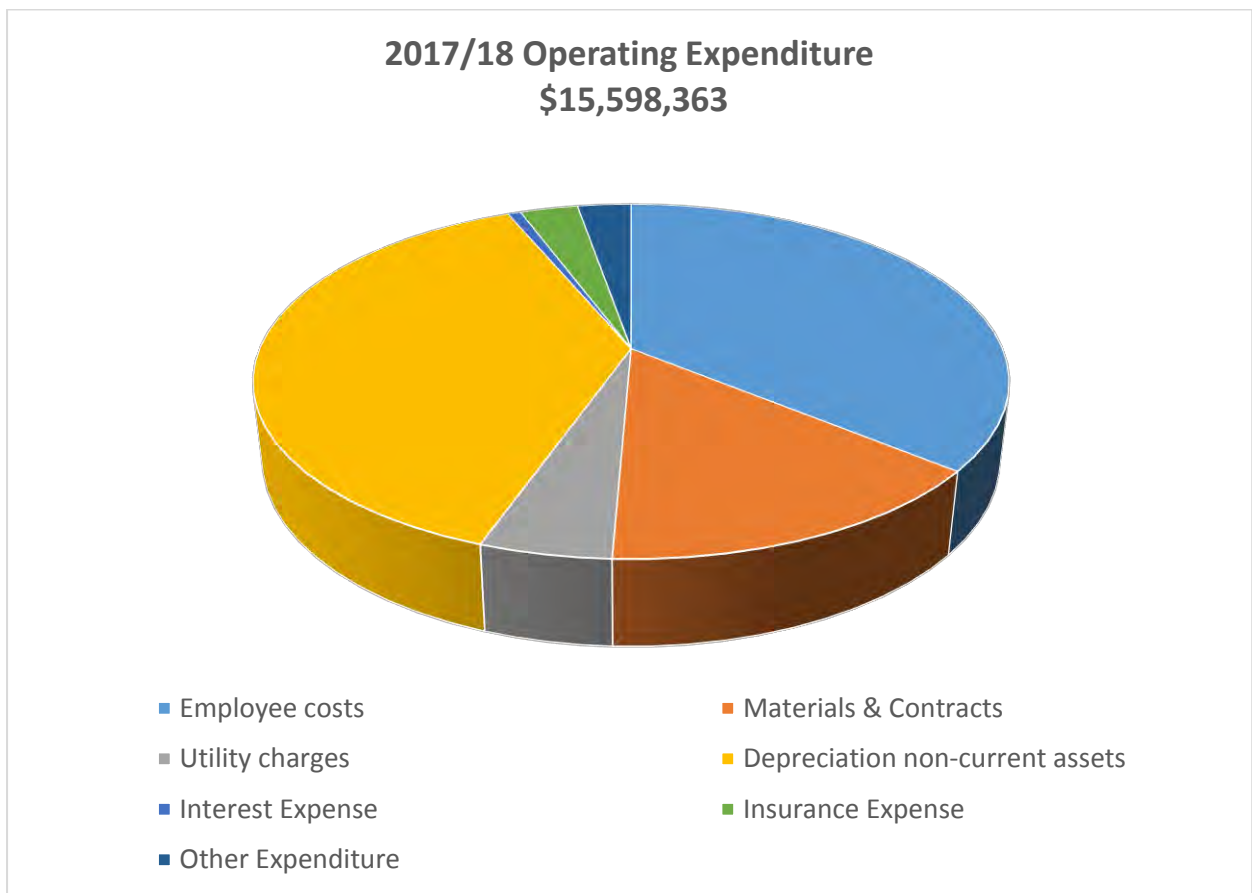
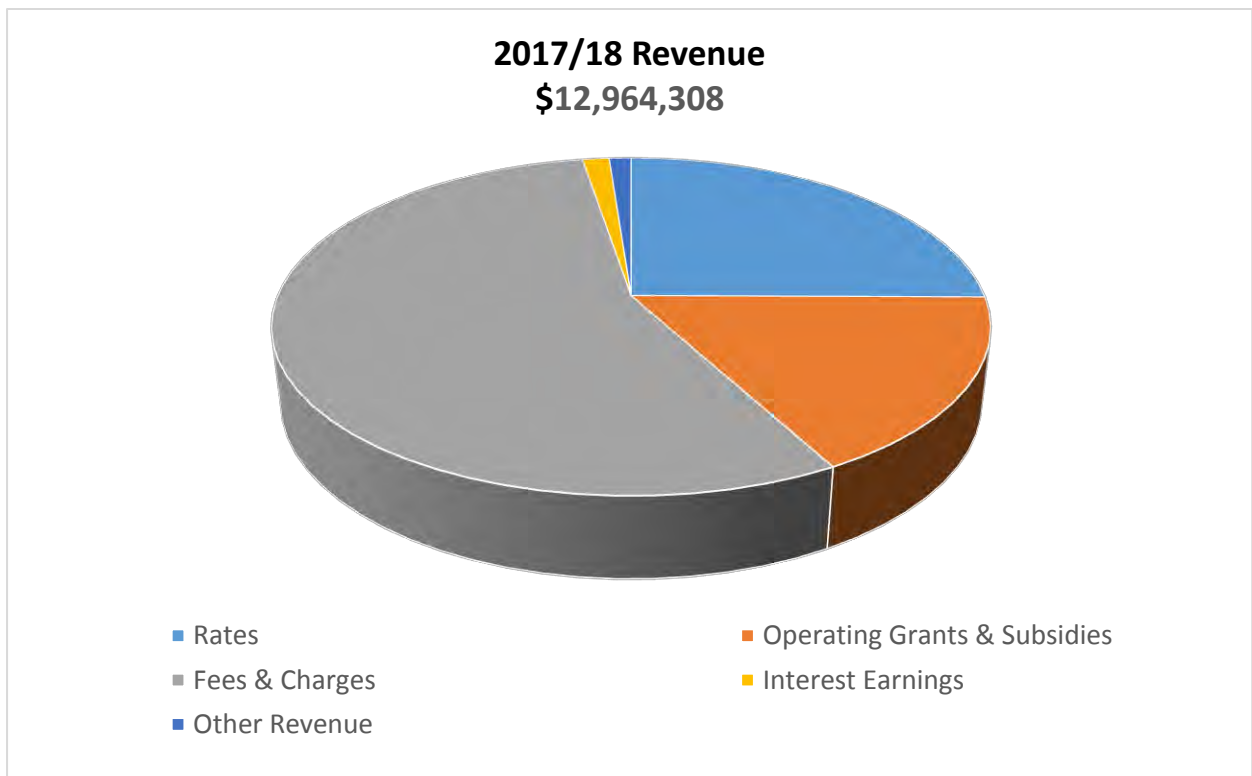
- Financial Services
- Administration Services
- Records Management & Information Systems
- Insurance & Risk Management
- Cemetery
- Centrelink

## Commercial and Community

- Ningaloo Centre
- Aviation Services
- Community & Cultural Development
- Infant, Youth and Seniors Services
- Disability Services
- Heritage
- Tourism & Promotions
- Library
- Festival & Events



## Financials Statistics





# Highlights 2017/2018

## Economic

**To be diverse and innovative economy with a range of local employment opportunities.**

We will promote growth by ensuring that Exmouth continues to be recognised as an attractive place to live, work and invest. An increase in our population and investment will also pave the way for better education, training and employment opportunities, to help retain our youth in town.

We will implement exceptional planning and ensure that there is adequate consideration of the social and environmental impacts of all future development, in order to achieve balanced growth for our community, whilst also conserving the pristine environment and retaining our local character and relaxed lifestyle.

- Completion of the Ningaloo Centre
- Processed 59 development applications
- Completion of the Multi-Purpose Community Room and Storage Facility at Paltridge Memorial Swimming Pool
- Developed key relationships with State Government Ministers and agencies
- Hosted Australian Coral Reef Society Conference

## Social

**To be dynamic, passionate and safe community valuing natural and cultural heritage.**

Exmouth's small town atmosphere, friendly spirit, relaxed lifestyle and safe community environment are highly regarded by our residents. We need to make sure we continue to provide services and infrastructure which will retain and enhance these highly valued social qualities.

We acknowledge we need to encourage moderate expansion, to improve our local services such as health, aged care and education to meet the expectations of our community.

- Ningaloo Trails Masterplan adopted
- Australian Day celebrations at the Paltridge Memorial Swimming Pool
- Exmouth 50 year Celebrations
- ANZAC Day/Remembrance Day ceremonies
- Better Beginnings program
- Man Cave exhibition
- Opening of the Ningaloo Centre

## Environmental

**To have a balanced respect for our environment and heritage, both natural and built.**

The Exmouth community are passionate and proud of their natural environment. As a start, we encourage our community to be more involved in projects such as the Town Centre Revitalisation and the Ningaloo Centre, to instil a greater sense of local pride and make certain we all proudly celebrate our World Heritage status. Our unique environment also presents a tangible prospect for us to be a world class leader in eco-friendly initiatives.

We can work together as a community to all be proud and welcoming ambassadors, and take responsibility for the presentation of our town.

- Townsite road sealing
- Planning for Murat Road upgrades; road widening, intersection design, shared bike/pedestrian path, lighting and flood mitigation
- Upgrade to fender system and rust treatment at Bundegi boat ramp
- Continued review of Town Planning Scheme No. 4

## Civic Leadership

**To work together as custodians of new and future.**

We will continue to strive to be forward thinking, have strong representation and provide good leadership. We will also proactively communicate and acknowledge local feedback to ensure the services we deliver are representative of our community's needs.

In addition to focussing on continually improving our quality of service, we will work smarter to leverage partnerships and greater collaboration. We will maximise our efforts and advocate to better represent our region's interests particularly in relation to our environment, as well as continuing to lobby for better services to support our community.

- Review of Shire governances and legislative compliance
- Review of Council Policy Manual
- Commence review of Exmouth 2030 Strategic Community Plan
- Councillor and Staff governance training
- Adopted new Code of Conduct

# Statutory Reporting

## Disability Access & Inclusion Plan (DAIP)

Ongoing implementation of the Shire's Disability Access & Inclusion Plan (DAIP) took place during the year 2017-2018.

The Shire has continued to implement various initiatives and programs contained within the DAIP. The Shire reports on the achievements of the Plan on an annual basis to the Disability Services Commission.

Major initiatives implemented this year included the addition of two ACROD parking bays in the town centre to a location closer to the mall entry. This project was undertaken in response to feedback from seniors and ACROD card holders who were concerned at the distance of current services from shopping facilities.

In addition, the Shire also moved to improve access to its beaches. The addition of rubber matting at the southern and northern ends of Bundegi beach complements the provision of two beach wheelchairs by the Shire of Exmouth.

The Shire continued to encourage the use of universal methods of consultation that meet the needs of people with disabilities in 2017/18. DAIP strategies were implemented during community consultation undertaken to develop the Shire's Strategic Community Plan. Public consultation, face to face workshops, online surveys and in-person surveys were utilised to engage all community groups.

More access and inclusion initiatives have been budgeted for in 2018/19 financial year including the upgrade of key footpaths accessing the Ningaloo Centre and improved readability of the Shire website.

## Strategic Community Plan: Exmouth 2030

In 2017/18 the Shire of Exmouth began a major review of its Strategic Community Plan, Exmouth 2030.

In developing Exmouth 2030, the Shire sought the views and aspirations of the community, through public meetings, focus groups and surveys, about where our community should be by 2030.

Almost 20 per cent of the community participated in the Strategic Community Plan public consultation. This is well above the 10% standard outlined in the *Integrated Planning and Reporting Framework and Guidelines* published by the Department of Local Government Sport and Cultural Industries.

Analysis of community feedback and survey data resulted in the development of community priorities for social, economic, environment, changing demographics and land use, social and leadership in the Shire of Exmouth. These priorities form the key strategic document used by Council to guide decision making.

The Plan takes into account the broad social, cultural, economic and environmental areas and how private industry, government agencies and community might contribute to achieve the aspirations of our community.

Our thanks go to all those who supported this process and gave up their time to provide their input and help guide the development of this plan.

### **State Records Act**

The Shire's amended Recordkeeping Plan was approved by the State Records Commission on 5 December 2014. The next review is due within five years, 5 December 2019.

The Records Keeping Plan details all record keeping practices across the organisation and incorporates legal requirements set by State Records. The Shire's records staff undertake record keeping training for all staff on an as-needed basis following a formal induction process. Every staff member attends a mandatory record keeping induction upon commencing with the organisation.

### **Statement of Salaries**

Local Government (Administration) Regulation 19B requires the Shire of Exmouth to disclose in bands of \$10,000 the number of employees entitled to an annual salary entitlement that falls within each band of \$10,000 over \$100,000

<b>Salary Range (\$)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
100,000 - 109,999	1	4	5
110,000 - 119,999	1		
120,000 - 129,999			
130,000 - 139,999	1	2	2
140,000 - 149,999			
150,000 - 159,999	1	1	1
160,000 - 169,999			
170,000 - 179,999			
180,000 - 189,999	1	1	
<b>TOTAL</b>	<b>5</b>	<b>8</b>	<b>8</b>

## National Competition Policy

The Competition Principals Agreement (CPA) is an Inter-government Agreement between the Commonwealth and State/Territory Governments that sets out how government will apply National Competition Policy principles to public sector organisations within their jurisdiction.

The National Competition Policy itself concluded in 2005/06 and has been succeeded by Australia's National Reform Agenda which is an addition to, and continuation of, the National Competition Policy reforms. The CPA (as amended 13 April 2007) sets out nominated principles from the agreement that now applies to local government.

The provisions of the CPA require local government to report annually on implementation, application and effects of Competition Policy. Competition Policy does not require contracting out or competitive tendering and does not preclude local government from continuing to subsidise its business activities from general revenue, nor does it require privatisation of government functions. It does require local governments to identify significant business activities and apply competitive disciplines to those businesses which compete with the private sector.

In July 1996 the State Government released a Policy Statement called Clause 7 which describes the application of specific "Competition Principles" to the activities and functions of local government pursuant to the National Competition Policy package.

Although local government is not a party to the Agreement, the State's obligations extend to ensuring that the principles are applied to local government activities and functions and the annual report must include a statement on all allegations of non-compliance with the principles.

In accordance with the requirements of the National Competition Policy the Shire makes the following disclosure for the reporting period.

- The Shire does not operate a business enterprise that has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or Public Financial Enterprise;
- The number of activities to which competitive neutrality principles have been considered but not applied in the reporting period is: One (1) - Learmonth Aviation Operations. A study into the operations of the Learmonth Aviation Operations concluded that competitive neutrality not be applied to the Learmonth Aviation Operations. Council will continue to monitor the benefits of applying competitive neutrality on an ongoing basis; and
- During the reporting period the Shire did not receive any complaints or did not become aware of any allegations of non-compliance with the competitive neutrality principles made by a private entity against the Shire.



## Register of Complaints

Section 5.121 of the *Local Government Act 1995* (Register of certain complaints of minor breaches) requires the complaints officer for each local government to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c) of the Act (Conduct of Certain Officials).

Section 5.53 (2) of the *Local Government Act 1995* requires that details of entries made under section 5.121 during the financial year in the register of complaints, including;

- i) the number of complaints recorded in the register of complaints; and
- ii) how the recorded complaints were dealt with; be included in the Annual Report of Council.

There were no complaints received pursuant to s5.121 of *the Local Government Act 1995* by the Shire of Exmouth during the 2017/18 reporting period.

## Freedom of Information

During the 2017/18 financial year, the Shire of Exmouth received no requests for information under the *Freedom of Information Act 1992*





**SHIRE OF EXMOUTH**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2018**

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**COMMUNITY VISION**

To support and develop a vibrant, welcoming community that embraces its past, its present and plans for a sustainable future.

Principal place of business:  
2 Truscott Crescent  
Exmouth WA 6707

SHIRE OF EXMOUTH  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

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

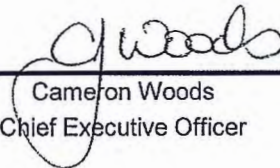
STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Exmouth for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Exmouth at 30 June 2018 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

21<sup>st</sup>

day of November 2018

  
Cameron Woods  
Chief Executive Officer



STATEMENT OF COMPREHENSIVE INCOME  
 BY NATURE OR TYPE  
 FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
<b>Revenue</b>				
Rates	22(a)	3,258,621	3,241,549	3,237,395
Operating grants, subsidies and contributions	2(a)	2,195,008	1,351,285	3,318,159
Fees and charges	2(a)	7,173,008	6,414,009	5,877,937
Interest earnings	2(a)	184,945	117,140	238,432
Other revenue		152,726	33,558	9,149
		<u>12,964,308</u>	<u>11,157,541</u>	<u>12,681,072</u>
<b>Expenses</b>				
Employee costs		(5,598,863)	(5,924,764)	(5,791,390)
Materials and contracts		(2,303,971)	(2,334,495)	(2,896,755)
Utility charges		(743,936)	(844,540)	(609,711)
Depreciation on non-current assets	9(b)	(5,961,266)	(6,001,350)	(4,739,977)
Interest expenses	2(a)	(102,231)	(101,727)	(62,399)
Insurance expenses		(461,131)	(461,607)	(442,501)
Other expenditure		(426,875)	(354,965)	(353,847)
		<u>(15,598,273)</u>	<u>(16,023,448)</u>	<u>(14,896,580)</u>
		<u>(2,633,965)</u>	<u>(4,865,907)</u>	<u>(2,215,508)</u>
Non-operating grants, subsidies and contributions	2	2,664,794	5,360,417	8,672,185
Profit on asset disposals	9(a)	0	26,312	157,486
(Loss) on asset disposals	9(a)	0	(64,871)	(23,680)
Net result		<u>30,829</u>	<u>455,951</u>	<u>6,590,483</u>
<b>Other comprehensive income</b>				
Changes on revaluation of non-current assets	10	12,997,241	0	4,391,934
Total other comprehensive income		<u>12,997,241</u>	<u>0</u>	<u>4,391,934</u>
Total comprehensive income		<u>13,028,070</u>	<u>455,951</u>	<u>10,982,417</u>

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





STATEMENT OF COMPREHENSIVE INCOME  
 BY PROGRAM  
 FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
Revenue	2(a)			
Governance		16,427	1,427	32,670
General purpose funding		5,256,879	4,190,740	6,334,380
Law, order, public safety		56,894	70,359	80,103
Health		36,544	32,668	46,330
Education and welfare		31,822	32,516	30,100
Housing		155,095	103,863	106,228
Community amenities		1,169,505	1,075,906	1,162,569
Recreation and culture		556,129	832,458	365,721
Transport		5,360,526	4,561,972	4,268,558
Economic services		225,084	222,733	182,061
Other property and services		99,403	32,899	72,352
		<u>12,964,308</u>	<u>11,157,541</u>	<u>12,681,072</u>
Expenses	2(a)			
Governance		(880,939)	(817,583)	(854,153)
General purpose funding		(71,816)	(85,664)	(103,490)
Law, order, public safety		(473,282)	(451,198)	(481,007)
Health		(187,375)	(196,398)	(199,355)
Education and welfare		(166,400)	(163,271)	(127,295)
Housing		0	(24,162)	(60,561)
Community amenities		(1,791,782)	(1,837,833)	(1,977,489)
Recreation and culture		(4,968,376)	(5,424,998)	(3,735,734)
Transport		(6,310,585)	(6,221,384)	(6,500,127)
Economic services		(645,487)	(705,595)	(763,495)
Other property and services		0	6,365	(31,475)
		<u>(15,496,042)</u>	<u>(15,921,721)</u>	<u>(14,834,181)</u>
Finance Costs	2(a)			
Housing		(40,497)	(41,708)	(45,667)
Community amenities		(10,794)	(10,553)	(297)
Recreation and culture		(36,335)	(35,385)	(1,001)
Other property and services		(14,605)	(14,081)	(15,434)
		<u>(102,231)</u>	<u>(101,727)</u>	<u>(62,399)</u>
		<u>(2,633,965)</u>	<u>(4,865,907)</u>	<u>(2,215,508)</u>
Non-operating grants, subsidies and contributions	2	2,664,794	5,360,417	8,672,185
Profit on disposal of assets	9(a)	0	26,312	157,486
(Loss) on disposal of assets	9(a)	0	(64,871)	(23,680)
		<u>2,664,794</u>	<u>5,321,858</u>	<u>8,805,991</u>
Net result		<u>30,829</u>	<u>455,951</u>	<u>6,590,483</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	12,997,241	0	4,391,934
Total other comprehensive income		<u>12,997,241</u>	<u>0</u>	<u>4,391,934</u>
Total comprehensive income		<u>13,028,070</u>	<u>455,951</u>	<u>10,982,417</u>

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



STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018

	NOTE	2018	2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	9,126,509	7,293,188
Trade and other receivables	5	1,788,959	1,627,189
Inventories	6	28,847	39,398
<b>TOTAL CURRENT ASSETS</b>		<b>10,944,315</b>	<b>8,959,775</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	5	94,018	165,357
Inventories	6	1,446,263	1,446,263
Property, plant and equipment	7	68,855,132	69,367,075
Infrastructure	8	51,492,495	40,549,933
<b>TOTAL NON-CURRENT ASSETS</b>		<b>121,887,908</b>	<b>111,528,628</b>
<b>TOTAL ASSETS</b>		<b>132,832,223</b>	<b>120,488,403</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,554,516	1,914,304
Current portion of long term borrowings	12(a)	263,832	253,764
Provisions	13	779,782	822,969
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,598,130</b>	<b>2,991,037</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	12(a)	1,998,960	2,262,793
Provisions	13	139,822	167,332
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,138,782</b>	<b>2,430,125</b>
<b>TOTAL LIABILITIES</b>		<b>4,736,912</b>	<b>5,421,162</b>
<b>NET ASSETS</b>		<b>128,095,311</b>	<b>115,067,241</b>
<b>EQUITY</b>			
Retained surplus		66,418,539	66,796,357
Reserves - cash backed	4	6,437,450	6,028,803
Revaluation surplus	10	55,239,322	42,242,081
<b>TOTAL EQUITY</b>		<b>128,095,311</b>	<b>115,067,241</b>

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



STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2018

		RESERVES-			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		50,952,466	15,282,211	37,850,147	104,084,824
Comprehensive income					
Net result		6,590,483	0	0	6,590,483
Changes on revaluation of assets	10	0	0	4,391,934	4,391,934
Total comprehensive income		6,590,483	0	4,391,934	10,982,417
Transfers from/(to) reserves		9,253,409	(9,253,409)	0	0
Balance as at 30 June 2017		66,796,357	6,028,803	42,242,081	115,067,241
Comprehensive income					
Net result		30,829	0	0	30,829
Changes on revaluation of assets	10	0	0	12,997,241	12,997,241
Total comprehensive income		30,829	0	12,997,241	13,028,070
Transfers from/(to) reserves		(408,647)	408,647	0	0
Balance as at 30 June 2018		66,418,539	6,437,450	55,239,322	128,095,311

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



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
		\$	\$	\$
<b>Receipts</b>				
Rates		3,291,748	3,252,821	3,349,584
Operating grants, subsidies and contributions		2,040,192	1,291,876	3,318,914
Fees and charges		7,173,008	6,111,044	5,741,029
Interest earnings		184,945	140,691	238,432
Goods and services tax		104,844	951,355	3,605,666
Other revenue		101,376	36,010	9,149
		<u>12,896,113</u>	<u>11,783,797</u>	<u>16,262,774</u>
<b>Payments</b>				
Employee costs		(5,492,802)	(6,184,076)	(5,927,231)
Materials and contracts		(2,823,529)	(2,964,972)	(4,233,325)
Utility charges		(743,936)	(955,886)	(609,711)
Interest expenses		(102,945)	(101,251)	(58,010)
Insurance expenses		(461,131)	(444,184)	(442,501)
Goods and services tax		(147,332)	(970,382)	(3,343,785)
Other expenditure		(375,525)	(368,142)	(353,847)
		<u>(10,147,200)</u>	<u>(11,988,893)</u>	<u>(14,968,410)</u>
<b>Net cash provided by (used in) operating activities</b>	14	<u>2,748,913</u>	<u>(205,096)</u>	<u>1,294,364</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for development of Land held for resale		0	0	(430,000)
Payments for purchase of property, plant & equipment		(2,301,651)	(4,607,305)	(19,369,555)
Payments for construction of infrastructure		(1,092,994)	(2,599,906)	(1,219,881)
Non-operating grants, subsidies and contributions		2,664,794	5,360,425	8,672,184
Proceeds from sale of fixed assets		0	209,000	390,051
Proceeds from advances		0	0	56,500
<b>Net cash provided by (used in) investment activities</b>		<u>(729,851)</u>	<u>(1,637,786)</u>	<u>(11,900,701)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of long term borrowings		(253,765)	(247,670)	(117,266)
Proceeds from self supporting loans		68,024	54,000	0
Proceeds from new long term borrowings		0	0	1,410,000
<b>Net cash provided by (used in) financing activities</b>		<u>(185,741)</u>	<u>(193,670)</u>	<u>1,292,734</u>
<b>Net increase (decrease) in cash held</b>		<u>1,833,321</u>	<u>(2,036,552)</u>	<u>(9,313,603)</u>
Cash at beginning of year		7,293,188	10,395,188	16,687,571
Cash and cash equivalents at the end of the year	14	<u>9,126,509</u>	<u>8,358,636</u>	<u>7,373,968</u>

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



**RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net current assets at July 1 b/fwd - surplus/(deficit)		962,667	962,667	125,545
		962,667	962,667	125,545
Revenue from operating activities (excluding rates)				
Governance		16,427	1,427	32,670
General purpose funding		2,045,072	995,404	3,142,574
Law, order, public safety		56,894	70,359	80,103
Health		36,544	32,668	46,330
Education and welfare		31,822	32,516	30,100
Housing		155,095	103,863	106,228
Community amenities		1,169,505	1,075,906	1,162,569
Recreation and culture		556,129	832,458	365,721
Transport		5,360,526	4,588,284	4,268,557
Economic services		225,084	222,733	182,061
Other property and services		99,403	32,899	229,838
		9,752,501	7,988,517	9,646,751
Expenditure from operating activities				
Governance		(880,939)	(817,583)	(854,334)
General purpose funding		(71,816)	(85,664)	(103,490)
Law, order, public safety		(473,282)	(451,198)	(481,007)
Health		(187,375)	(196,398)	(199,355)
Education and welfare		(166,400)	(163,271)	(127,295)
Housing		(40,497)	(65,870)	(106,228)
Community amenities		(1,802,576)	(1,897,482)	(1,977,786)
Recreation and culture		(5,004,711)	(5,460,383)	(3,737,855)
Transport		(6,310,585)	(6,228,259)	(6,520,948)
Economic services		(645,487)	(711,998)	(763,495)
Other property and services		(14,605)	(10,213)	(48,467)
		(15,598,273)	(16,088,319)	(14,920,260)
Operating activities excluded				
(Profit) on disposal of assets	9(a)	0	(26,312)	(157,486)
Loss on disposal of assets	9(a)	0	64,871	23,680
Movement in deferred pensioner rates (non-current)		(1,685)	0	(614)
Movement in employee benefit provisions (non-current)		(70,697)	0	(251,395)
Depreciation and amortisation on assets	9(b)	5,961,266	6,001,350	4,739,977
<b>Amount attributable to operating activities</b>		<b>1,005,779</b>	<b>(1,097,226)</b>	<b>(793,801)</b>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		2,664,794	5,360,417	8,672,185
Proceeds from disposal of assets	9(a)	0	209,000	390,051
Purchase of land held for resale		0	0	(430,000)
Purchase of property, plant and equipment	7(b)	(2,301,651)	(4,607,305)	(19,450,335)
Purchase and construction of infrastructure	8(b)	(1,092,994)	(2,599,905)	(1,219,881)
<b>Amount attributable to investing activities</b>		<b>(729,851)</b>	<b>(1,637,793)</b>	<b>(12,037,980)</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of advances to community groups		0	0	56,500
Repayment of long term borrowings	12(a)	(253,765)	(247,670)	(117,266)
Proceeds from new long term borrowings	12(b)	0	0	1,410,000
Proceeds from self supporting loans	12(a)	68,024	54,000	0
Transfers to reserves (restricted assets)	4	(697,016)	(138,074)	(1,093,318)
Transfers from reserves (restricted assets)	4	288,370	1,160,875	10,346,726
<b>Amount attributable to financing activities</b>		<b>(594,387)</b>	<b>829,131</b>	<b>10,602,642</b>
<b>Surplus(deficiency) before general rates</b>		<b>(318,459)</b>	<b>(1,905,888)</b>	<b>(2,229,139)</b>
<b>Total amount raised from general rates</b>	22	<b>3,211,807</b>	<b>3,195,336</b>	<b>3,191,806</b>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	23	<b>2,893,348</b>	<b>1,289,448</b>	<b>962,667</b>

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



## 1. BASIS OF PREPARATION

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

The Local Government (Financial Management) Regulations 1996 take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or any other sporting or recreational facility of state or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008 have not been recognised in this financial report. This is not in accordance with the requirements of AASB 1051 Land Under Roads paragraph 15 and AASB 116 Property, Plant and Equipment paragraph 7.

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

### CRITICAL ACCOUNTING ESTIMATES

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

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

### THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 25 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES

(a) Revenue	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
Fees and Charges			
General purpose funding	24,045	23,134	41,564
Law, order, public safety	12,523	13,018	22,209
Health	36,544	32,668	46,330
Education and welfare	29,440	30,121	27,874
Housing	109,395	102,863	105,817
Community amenities	1,168,031	1,075,724	1,156,760
Recreation and culture	274,731	410,813	111,296
Transport	5,295,416	4,490,453	4,162,150
Economic services	220,083	222,733	180,479
Other property and services	2,800	12,482	23,458
	<u>7,173,008</u>	<u>6,414,009</u>	<u>5,877,937</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

Grants, subsidies and contributions are included as operating and non-operating revenues in the Statement of Comprehensive Income:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
<b>Operating grants, subsidies and contributions</b>			
General purpose funding	1,836,082	853,347	2,873,094
Law, order, public safety	40,371	53,341	53,679
Community amenities	0	0	3,340
Recreation and culture	231,246	373,266	195,212
Transport	65,980	55,980	95,891
Economic services	5,000	0	0
Other property and services	16,329	15,351	36,946
	<b>2,195,008</b>	<b>1,351,285</b>	<b>3,258,162</b>
<b>Non-operating grants, subsidies and contributions</b>			
Community amenities	0	0	(338,701)
Recreation and culture	1,976,068	3,394,883	8,153,848
Transport	688,726	1,965,534	857,039
	<b>2,664,794</b>	<b>5,360,417</b>	<b>8,672,186</b>
<b>Total grants, subsidies and contributions</b>	<b>4,859,802</b>	<b>6,711,702</b>	<b>11,930,348</b>

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, Donations and Other Contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 21. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
<b>Interest earnings</b>			
- Loans receivable - clubs/institutions			
- Reserve funds	101,037	47,076	151,366
- Other funds	19,531	14,560	20,721
Other interest revenue (refer note 22(d))	54,632	66,345	66,345
	<b>175,200</b>	<b>127,981</b>	<b>238,432</b>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2018	2017
	\$	\$
Auditors remuneration		
- Audit of the Annual Financial Report	22,968	36,286
Other Audit Services	21,620	88,942
	<u>44,588</u>	<u>125,228</u>
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	102,231	62,399
	<u>102,231</u>	<u>62,399</u>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018	2017
		\$	\$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		2,689,059	1,264,385
Restricted		6,437,450	6,028,803
		<u>9,126,509</u>	<u>7,293,188</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	255,275	250,942
Aviation Reserve	4	1,173,441	1,153,526
Building Infrastructure Preservation Reserve	4	369,174	362,908
Community Development Fund	4	1,659,472	1,729,611
Community Interest Free Loans Reserve	4	390,299	383,675
Insurance/Natural Disasters Reserve	4	176,386	173,392
Marina Canal Reserve	4	255,079	33,617
Marina Village Asset Replacement Reserve	4	5,986	5,885
Plant Reserve	4	719,476	707,266
Rehabilitation Reserve	4	204,013	200,551
Shire Staff Housing Reserve	4	34,016	33,439
Swimming Pool Reserve	4	430,562	432,265
Town Planning Scheme Reserve	4	21,063	20,706
Waste Management Reserve	4	648,924	269,179
Unspent Grants & Contributions Reserve	4	94,284	271,842
		<u>6,437,450</u>	<u>6,028,803</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

**Cash and cash equivalents (Continued)**

which are subject to and insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	250,942	4,332	0	255,274	250,942	3,764	0	254,706	450,122	6,028	(205,208)	250,942
Aviation Reserve	1,153,526	19,915	0	1,173,441	1,153,526	17,153	(10,000)	1,160,679	1,204,251	16,750	(67,475)	1,153,526
Building Infrastructure Preservation Reserve	362,908	6,265	0	369,173	362,909	5,444	0	368,353	299,072	63,836	0	362,908
Community Development Fund	1,729,611	29,861	(100,000)	1,659,472	1,729,611	24,444	(100,000)	1,654,055	2,717,187	37,537	(1,025,113)	1,729,611
Community Interest Free Loans Reserve	383,675	6,824	0	390,299	383,675	59,937	0	443,612	322,238	81,437	0	383,675
Insurance/Natural Disasters Reserve	173,392	2,993	0	176,385	173,392	2,601	0	175,993	0	173,392	0	173,392
Marina Canal Reserve	33,617	221,462	0	255,079	33,617	504	0	34,121	0	33,617	0	33,617
Marina Village Asset Replacement Reserve	5,885	102	0	6,987	5,885	88	0	5,973	5,797	88	0	5,885
Plant Reserve	707,266	12,211	0	719,477	707,266	6,768	(666,074)	47,960	292,827	414,439	0	707,266
Rehabilitation Reserve	200,550	3,462	0	204,012	200,550	7,977	(2,088)	206,439	189,645	16,585	(5,679)	200,551
Shire Staff Housing Reserve	33,439	577	0	34,016	33,439	502	0	33,941	8,225	25,214	0	33,439
Swimming Pool Reserve	432,265	7,463	(9,166)	430,562	432,265	6,346	(9,166)	429,445	425,811	6,454	0	432,265
Town Planning Scheme Reserve	20,705	358	0	21,064	20,706	311	0	21,017	20,396	310	0	20,705
Waste Management Reserve	269,179	379,745	0	648,924	269,179	1,323	(181,000)	89,502	265,499	3,679	0	269,178
Unspent Grants & Contributions Reserve	271,842	1,646	(179,204)	84,284	271,842	912	(192,547)	80,207	9,081,142	233,951	(9,043,251)	271,842
	6,028,803	697,016	(288,370)	6,437,449	6,028,804	138,074	(1,160,875)	5,006,003	15,282,212	1,093,317	(10,346,726)	6,028,803

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	To be used for annual and long service leave requirements
Aviation Reserve	Ongoing	To be used to fund aviation requirements
Building Infrastructure Preservation Reserve	Ongoing	To be used for the development, preservation and management of building infrastructure within the Shire
Community Development Fund	Ongoing	To be used to fund major community development initiatives
Community Interest Free Loans Reserve	Ongoing	To be used to fund major community development projects
Insurance/Natural Disasters Reserve	Ongoing	To be used for the purpose of funding insurance claims where the excess is higher than the cost of repairs in addition to any weather related insurance/WANDARRA claims
Marina Canal Reserve	Ongoing	To be used for the purpose of funding future dredging costs as well as environmental water control and maintenance of the canals. These funds were derived from levying a Specified Area Rate titled Marina Specified Area Rate
Marina Village Asset Replacement Reserve	Ongoing	To be used for the preservation and maintenance of infrastructure related to the Exmouth Marina Village
Plant Reserve	Ongoing	To be used for the purchase of major plant and equipment
Rehabilitation Reserve	Ongoing	To be used to manage the funds associated with the environmental rehabilitation of the sand and gravel pits within the Shire of Exmouth
Shire Staff Housing Reserve	Ongoing	To be used to fund housing for Shire Staff
Swimming Pool Reserve	Ongoing	To be used to fund Swimming Pool Upgrades
Town Planning Scheme Reserve	Ongoing	To be used for the purpose of funding a review of the Town Planning Scheme
Waste Management Reserve	Ongoing	To be used to fund operational costs of Refuse Site including implementation of post closure plan
Unspent Grants & Contributions Reserve	Ongoing	To be used for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

5. TRADE AND OTHER RECEIVABLES

Current

	2018	2017
	\$	\$
Rates outstanding	302,096	336,908
Sundry debtors	1,261,982	1,120,290
GST receivable	104,844	62,357
Loans receivable - clubs/institutions	59,000	54,000
Accrued Revenue	61,037	47,913
Prepaid Expenditure	0	5,721
	<u>1,788,959</u>	<u>1,627,189</u>

Non-current

Rates outstanding - pensioners	40,018	38,333
Loans receivable - clubs/institutions	54,000	127,024
	<u>94,018</u>	<u>165,357</u>

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

- 1 to 5 years	196,237	208,586
- more than 5 years	105,859	128,322
	<u>302,096</u>	<u>336,908</u>

Sundry debtors

Includes:

Past due and not impaired

- up to one month	0	0
- 1 to 3 months	40,016	6,918
- 3 months to one year	57,889	111,433
- 1 to 5 years	15,703	0
- more than 5 years	0	26,126
	<u>113,608</u>	<u>144,477</u>

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.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

Classification and subsequent measurement

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

6. INVENTORIES

Current

Fuel, Oil & Materials On Hand

Non-current

Land held for resale - cost

	2018	2017
	\$	\$
	28,847	39,398
	<u>28,847</u>	<u>39,398</u>
	1,446,263	1,446,263
	<u>1,446,263</u>	<u>1,446,263</u>

**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.

**Land held for resale**

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

**Land held for resale (Continued)**

Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	7,703,000	7,703,000
	<u>7,703,000</u>	<u>7,703,000</u>
Total land	7,703,000	7,703,000
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	6,832,000	6,832,000
- Additions after Valuations - Cost	40,870	0
Buildings - non-specialised - Less: accumulated depreciation	<u>(1,573,105)</u>	<u>(1,422,000)</u>
	5,299,765	5,410,000
Buildings - specialised at:		
- Independent valuation 2017 - level 3	70,941,000	41,841,000
- Management valuation 2017 - level 3	3,207,832	32,307,832
- Additions after Valuations - Cost	2,109,642	0
Buildings - specialised - Less: accumulated depreciation	<u>(24,576,117)</u>	<u>(22,728,000)</u>
	51,682,357	51,420,832
Total buildings	<u>56,982,122</u>	<u>56,830,832</u>
Total land and buildings	64,685,122	64,533,832
Furniture and equipment at:		
- Independent valuation 2016 - level 2	3,647,640	3,069,902
- Additions after valuation - Cost	0	300,251
Furniture and equipment - Less: accumulated depreciation	<u>(2,026,942)</u>	<u>(1,701,589)</u>
	1,620,698	1,668,564
Plant and equipment at:		
- Independent valuation 2016 - level 2	6,443,707	6,329,146
- Additions after valuation - Cost	0	65,177
Plant and equipment - Less: accumulated depreciation	<u>(3,894,395)</u>	<u>(3,229,644)</u>
	2,549,312	3,164,679
Total property, plant and equipment	<u>68,855,132</u>	<u>69,367,075</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	7,010,250	7,010,250	5,668,668	29,430,144	35,098,812	42,109,062	1,693,270	3,756,930	47,559,262
Additions	0	0	70,100	18,750,575	18,820,675	18,820,675	397,073	151,807	19,369,555
(Disposals)	0	0	0	0	0	0	(28,793)	(66,756)	(95,549)
Revaluation increments/ (decrements) transferred to revaluation surplus	692,750	692,750	(16,955)	3,716,138	3,699,183	4,391,933	0	0	4,391,933
Depreciation (expense)	0	0	(311,813)	(476,025)	(787,838)	(787,838)	(392,986)	(677,302)	(1,858,126)
Carrying amount at 30 June 2017	7,703,000	7,703,000	5,410,000	51,420,832	56,830,832	64,533,832	1,668,564	3,164,679	69,367,075
Additions	0	0	40,870	2,109,642	2,150,512	2,150,512	119,938	31,201	2,301,651
Depreciation (expense)	0	0	(151,106)	(1,848,116)	(1,999,222)	(1,999,222)	(321,073)	(660,742)	(2,981,037)
Transfers	0	0	0	0	0	0	153,270	14,173	167,443
Carrying amount at 30 June 2018	7,703,000	7,703,000	5,299,764	51,682,358	56,982,122	64,685,122	1,620,699	2,549,311	68,855,132

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land - freehold land	2	Market approach using recent observable market data for properties	Independent valuation	June 2017	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent valuation	June 2017	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement costs	Independent valuation	June 2017	Construction costs and current condition residual values and remaining useful life inputs
Furniture and equipment	2	Market approach using recent observable market data for similar assets	Independent valuation	June 2016	Provide an indication of value by comparing the subject asset with identical or similar assets or using economic principle approach
Plant and equipment	2	Market approach using recent observable market data for similar assets	Independent valuation	June 2016	Provides an indication of value by comparing the subject asset with identical assets or using an economic principle approach

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	24,079,375
- Additions after valuations - Cost	0	3,739,359
- Management valuation 2018 - level 3	44,160,645	0
Infrastructure - Roads - Less: accumulated depreciation	(7,697,179)	(11,110,837)
	36,463,466	16,707,897
Infrastructure - Other		
- Independant valuation 2014 - level 2	0	19,160,500
- Independant valuation 2014 - level 2	0	13,026,859
- Additions after valuations - Cost	0	7,398,791
- Management valuation 2018 - level 3	21,292,234	0
Infrastructure - Other - Less: accumulated depreciation	(6,263,205)	(15,744,114)
	15,029,029	23,842,036
<b>Total infrastructure</b>	<b>51,492,495</b>	<b>40,549,933</b>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Other	Total Infrastructure
	\$	\$	\$
Balance at 1 July 2016	17,004,431	25,126,692	42,131,123
Additions	1,043,249	257,411	1,300,660
Depreciation (expense)	(1,339,783)	(1,542,067)	(2,881,850)
Carrying amount at 30 June 2017	16,707,897	23,842,036	40,549,933
Additions	849,398	243,596	1,092,994
Revaluation increments/ (decrements) transferred to revaluation surplus	12,838,184	159,058	12,997,242
Depreciation (expense)	(1,394,413)	(1,585,816)	(2,980,229)
Transfers	7,462,400	(7,629,845)	(167,445)
Carrying amount at 30 June 2018	36,463,466	15,029,029	51,492,495

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Assessment of remaining useful life, replacement costs and considered the following, construction date, visual condition, evidence of recent repairs or capital works and surrounding environment factors.
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Independent valuation	June 2018	Assessment of remaining useful life considered the following, construction date, visual condition, evidence of recent repairs or capital works and surrounding environment factors.

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.

## 9. FIXED ASSETS

### 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 between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, 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 anniversary date in accordance with the mandatory measurement framework.

#### Revaluation

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

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.

#### Land under control

In accordance with *Local Government (Financial Management) Regulation 16(a)(ii)*, the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

#### Land under roads

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Community amenities								
PE00048 - 2010 Rubbish Truck EX4574	0	0	0	0	46,337	10,000	0	(36,337)
PE00042 - 2008 Loader EX7710	0	0	0	0	46,884	41,000	0	(5,884)
PE00251 - 2015 Holden Colorado 3006EX	0	0	0	0	33,875	27,000	0	(6,875)
Transport								
PE00096 - 2006 Hitachi Excavator	0	0	0	0	23,688	50,000	26,312	0
PE00250 - 2015 Holden Colorado 1GEX694	0	0	0	0	33,875	27,000	0	(6,875)
Economic services								
PE00238 - 2015 Holden Colorado 3005EX	0	0	0	0	33,403	27,000	0	(6,403)
Other property and services								
PE00239 - 2014 Holden Colorado 3EX	0	0	0	0	29,497	27,000	0	(2,497)
	0	0	0	0	247,559	209,000	26,312	(64,871)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	151,106	311,813
Buildings - specialised	1,848,116	476,025
Furniture and equipment	321,073	392,986
Plant and equipment	660,742	677,302
Infrastructure - Roads	1,394,413	1,339,783
Infrastructure - Other	1,585,816	1,542,067
	5,961,266	4,739,977



9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

- a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

Major depreciation periods used for each class of depreciable asset are:

Buildings	40 Years
Furniture & Equipment	
Electronic	3-5 Years
All Other Items	5-10 Years
Infrastructure Roads	
Construction	40 Years
Aggregate	12 Years
Asphalt	20 Years
Road ( unsealed) - Gravel	8 Years
Road (Unsealed) - Unformed	6 Years
Road Kerb	50 Years
Bridges	50 Years
Drain/Sewers	75 Years
Airfields Runways	100 Years
Plant & Equipment	
Heavy Plant & Equipment	3-10 Years
Light to Medium Vehicles	2-5 Years
Light Mobile Equipment	2 Years

Depreciation (Continued)

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Movement on	2018	Opening	Revaluation	Revaluation	Movement on	2017
	Balance	Increment	Revaluation	Closing	Balance	Increment	(Decrement)	Revaluation	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	3,170,303	0	0	3,170,303	2,477,553	1,152,750	(460,000)	692,750	3,170,303
Revaluation surplus - Buildings - non-specialised	(51,616)	0	0	(51,616)	1,740,045	677,787	(2,469,448)	(1,791,661)	(51,616)
Revaluation surplus - Buildings - specialised	22,029,577	0	0	22,029,577	16,538,733	21,929,639	(16,438,795)	5,480,844	22,029,577
Revaluation surplus - Furniture and equipment	1,211,296	0	0	1,211,296	1,211,296	0	0	0	1,211,296
Revaluation surplus - Plant and equipment	1,094,483	0	0	1,094,483	1,094,483	0	0	0	1,094,483
Revaluation surplus - Infrastructure - Roads	8,471,756	12,838,184	12,838,184	21,309,940	8,471,756	0	0	0	8,471,756
Revaluation surplus - Infrastructure - Other	6,316,282	159,056	159,058	6,475,340	6,316,282	0	0	0	6,316,282
	42,242,081	12,997,242	12,997,242	55,239,323	37,850,148	23,760,176	(19,368,243)	4,391,933	42,242,081

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

11. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Current		
Sundry creditors	489,636	1,691,202
Accrued interest on long term borrowings	3,762	4,476
Accrued salaries and wages	126,290	115,553
ATO liabilities	166,021	0
Prepaid Revenue	605,290	22,080
Accrued Expenses	163,517	80,993
	1,554,516	1,914,304

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Interest Rate	Principal 1 July 2017	New Loans	Principal Repayments		Principal 30 June 2018		Interest Repayments	
				Actual	Budget	Actual	Budget	Actual	Budget
	%	\$	\$	\$	\$	\$	\$	\$	\$
Housing									
Loan 77 - Snapper Loop - Land	5.65%	93,311	0	45,356	42,898	47,955	50,413	4,640	7,579
Loan 80 - Snapper Loop - Dwellings	4.73%	736,726	0	59,651	56,901	677,075	679,825	35,857	34,129
Community amenities									
Loan 81 - Rubbish Truck	2.41%	410,000	0	78,119	78,119	331,881	331,881	10,794	10,553
Recreation and culture									
Loan 82 - Ningaloo Centre	3.33%	1,000,000	0	52,372	52,372	947,628	947,628	36,335	35,385
Other property and services									
Loan 76 - 1 Bennell Street - Land	5.04%	276,520	0	18,267	17,380	258,253	259,140	14,605	14,081
		2,516,557	0	253,765	247,670	2,262,792	2,268,887	102,231	101,727

All borrowings are sourced from Western Australian Treasury Corporation.  
All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	263,832	253,764
Non-current	1,998,960	2,262,793
	2,262,792	2,516,557

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS (Continued)

	2018	2017
	\$	\$
(b) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	400,000	400,000
Bank overdraft at balance date	0	0
Credit card limit	24,000	40,000
Credit card balance at balance date	(999)	0
Total amount of credit unused	423,001	440,000
Loan facilities		
Loan facilities - current	263,832	253,764
Loan facilities - non-current	1,998,960	2,262,793
Total facilities in use at balance date	2,262,792	2,516,557
Unused loan facilities at balance date	410,000	410,000

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Gratuity	Total
	\$	\$	\$	\$
Opening balance at 1 July 2017				
Current provisions	488,998	259,531	74,440	822,969
Non-current provisions	0	167,332		167,332
	488,998	426,863	74,440	990,301
Additional provision	61,940	(58,197)	0	3,743
Balance at 30 June 2018	550,938	368,666	74,440	994,044
Comprises				
Current	476,498	228,844	74,440	779,782
Non-current	0	139,822	0	139,822
	476,498	368,666	74,440	919,604

Annual leave and current long service leave liabilities have been classified as current as there are no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities are expected to occur as detailed below.

	Annual Leave	Long Service Leave	Gratuity	Total
	\$	\$	\$	\$
Current Provisions				
Within 12 months of the end of the reporting period	476,498	228,844	74,440	779,782
	476,498	228,844	74,440	779,782

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

**Short-term employee benefits**

Provision is made for the Shire'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 Shire'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**

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

**Other long-term employee benefits (Continued)**

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 remeasurements 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 Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire 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.

**Provisions**

Provisions are recognised when the Shire 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

14. 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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	9,126,509	8,358,636	7,293,188
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	30,829	(16,073)	6,590,483
Non-cash flows in Net result:			
Depreciation	5,961,266	5,188,968	4,739,977
(Profit)/loss on sale of asset	0	38,559	(133,806)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(158,455)	(23,335)	738,791
(Increase)/decrease in inventories	10,551	(1,497)	5,005
Increase/(decrease) in payables	(359,788)	29,934	(1,722,507)
Increase/(decrease) in provisions	(70,697)	(61,228)	(251,395)
Non-operating grants and contributions for the development of assets	(2,664,794)	(5,360,425)	(8,672,184)
Net cash from operating activities	2,748,913	(205,097)	1,294,364

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	252,470	278,600
General purpose funding	463,001	439,707
Law, order, public safety	1,112,259	1,218,886
Health	2,276	23
Education and welfare	1,697,616	1,790,418
Housing	6,717,314	6,882,335
Community amenities	2,375,322	7,688,460
Recreation and culture	47,478,113	45,996,285
Transport	51,247,423	35,669,284
Economic services	2,025,551	2,261,241
Other property and services	19,460,878	18,263,164
	<u>132,832,223</u>	<u>120,488,403</u>

16. CONTINGENT LIABILITIES

There is no known contingent liabilities as at 30 June 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

17. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	189,325	1,923,458

The capital expenditure project outstanding at the end of the current reporting period represents the completion of the Aquarium at the Ningaloo Centre (the prior year commitment was for the construction of the new recreation centre and a new truck).

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

- not later than one year	187,164	187,164
- later than one year but not later than five years	337,665	524,829
- later than five years	0	0
	524,829	711,993

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

**Leases (Continued)**

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2018 Actual	2018 Budget	2017 Actual
The following fees, expenses and allowances were paid to council members and/or the President.	\$	\$	\$
Meeting Fees	75,806	92,880	95,578
President's allowance	8,876	12,153	6,415
Deputy President's allowance	2,186	3,038	1,604
Telecommunications allowance	3,151	4,590	4,128
Travelling expenses	13,995	14,951	31,550
	104,014	127,612	139,275

Key Management Personnel (KMP) Compensation Disclosure

	2018	2017
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	500,645	928,446
Post-employment benefits	86,923	133,778
Other long-term benefits	16,317	16,566
Termination benefits	87,022	317,415
	690,907	1,396,205

*Short-term employee benefits*

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

*Post-employment benefits*

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

*Other long-term benefits*

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP

Transactions with related parties

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

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

	2018	2017
The following transactions occurred with related parties:	\$	\$
Purchase of goods and services	0	12,396
Amounts payable to related parties:		
Payables - Key management personnel	19,499	44,628

Related Parties

The Shire'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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

19. MAJOR LAND TRANSACTIONS

(a) Expected Future Cash Flows

	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$
Cash outflows					
- Development costs	0	0	0	0	0
	0	0	0	0	0
Cash inflows					
- Sale proceeds	590,909	590,909	1,477,273	0	2,659,091
	590,909	590,909	1,477,273	0	2,659,091
Net cash flows	590,909	590,909	1,477,273	0	2,659,091

(b) Assets and liabilities

	2018	2017
	\$	\$
Land held for resale per Note 6		
Non-current		
Land held for resale - Heron Way	1,446,263	1,446,263
	1,446,263	1,446,263

20. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Learmonth Airport is the general aviation and regular passenger transport for the Shire of Exmouth. It is the main regional base for aircraft charter operations and private flying in Exmouth.

The Shire is responsible for operating the civil terminal, apron and taxiway; the RAAF are responsible for maintaining the other civil facilities used for civil aviation to comply with defence legislation and regulations.

	2017/18 Actual	2017/18 Budget	2016/17 Actual
<b>Operating Revenue</b>			
Fees & Charges	5,143,912	3,982,615	4,016,319
Grants, Subsidies & Contributions	0	0	38,577
Other Revenue	0	0	0
	5,143,912	3,982,615	4,054,896
<b>Operating Expenditure</b>			
Employee Costs	(1,717,397)	(1,922,433)	(1,700,443)
Materials & Contracts	(447,138)	(364,846)	(658,023)
Utilities	(87,415)	(143,016)	(110,629)
Insurance	(56,662)	(56,820)	(89,809)
Other Expenditure	(250,604)	(201,296)	(254,296)
Loss on Asset Disposal	0	(6,875)	(17,229)
Depreciation	(630,339)	(504,671)	(539,934)
	(3,189,555)	(3,199,957)	(3,370,363)
<b>Operating Surplus/(Deficit)</b>	<b>1,954,357</b>	<b>782,658</b>	<b>684,533</b>
<b>Capital Expenditure</b>			
Land & Buildings	0	(10,000)	(20,834)
Furniture & Equipment	(13,500)	0	(12,364)
Infrastructure Other	0	0	0
Plant & Equipment	0	0	(5,237)
Transfer to & from Reserve	19,915	(7,153)	(378)
	6,415	(17,153)	(38,813)
<b>Total Net Result</b>	<b>1,960,772</b>	<b>765,505</b>	<b>645,720</b>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing	Received <sup>(2)</sup>	Expended <sup>(3)</sup>	Closing
	Balance <sup>(1)</sup>			Balance <sup>(1)</sup>			Balance
	1/07/16	2016/17	2016/17	30/06/17	2017/18	2017/18	30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>General purpose funding</b>							
Financial Assistance Grant				0	1,836,082	(1,836,082)	0
<b>Law, order, public safety</b>							
DEC - Bushfire Mitigation Fund	29,763	0	(29,763)	0	28,875	(28,875)	0
FESA Bushfire & SES	14,947	0	(5,322)	9,625	11,496	(21,121)	0
<b>Community amenities</b>							
Dept of Planning	102,502	0	(80,741)	21,761	0	(21,761)	0
GLGF Waste & Recycling	399,570	0	(399,570)	0	0	0	0
<b>Recreation and culture</b>							
RFR Ningaloo Centre	8,202,538	0	(8,202,538)	0	1,820,000	(1,820,000)	0
Dept of Infrastructure - Hard Shade	18,182	0	(18,182)	0	0	0	0
GDC Public Art Strategy	18,387	0	0	18,387	0	(18,387)	0
Marina Breakwater NavAid	25,464	386	0	25,850	0	(25,850)	0
Youth Leadership Program	10,846	164	0	11,010	0	(11,010)	0
Youth Program (YAE)	1,096	16	0	1,112	0	(1,112)	0
BHP Youth Program	1,885	0	0	1,885	0	(1,885)	0
DSR - Community Pool Grant	0	32,195	0	32,195	0	(32,195)	0
BHP - 50th Anniversary Event	0	50,000	0	50,000	0	(50,000)	0
Quadrant - 50th Anniversary Event	0	50,000	0	50,000	0	(50,000)	0
Festival Australia - 50th Anniversary	0	36,800	0	36,800	0	(36,800)	0
Festival Australia - 50th Anniversary	0	0	0	0	50,000	(50,000)	0
GDC Master Trails Project	0	0	0	0	24,170	(13,100)	11,070
DLGC - Club Development Scheme	0	0	0	0	20,000	(20,000)	0
GDC 50th Anniversay	0	0	0	0	135,000	(135,000)	0
CSRFF - Swimming Pool Grant	0	0	0	0	32,000	(32,000)	0
Exmouth Amateur Swimming Club	0	0	0	0	18,182	(18,182)	0
GDC - Swimming Pool Grant	0	0	0	0	105,886	(105,886)	0
Event contributions	0	0	0	0	2,075	(2,075)	0
<b>Transport</b>							
MRWA Murat Road	36,364	0	(36,364)	0	0	0	0
MRWA - Direct Grant	0	0	0	0	55,980	(55,980)	0
Yardie Homestead	0	0	0	0	10,000	(10,000)	0
Commonwealth - RTR Grant	0	0	0	0	387,354	(387,354)	0
MRWA Murat Road - RRG	0	0	0	0	66,700	(66,700)	0
MRWA - Yardie Creek	0	0	0	0	180,000	(180,000)	0
MRWA - Ningaloo Access Road	0	0	0	0	12,600	0	12,600
MRWA - Murat Road - SIF	0	0	0	0	42,072	(42,072)	0
<b>Economic services</b>							
Landscape Services	13,020	197	0	13,217	0	(13,217)	0
Tourism WA Cruise Destination	0	0	0	0	5,000	(500)	4,500
<b>Other property and services</b>							
WANDARRA	206,578	0	(206,578)	0	0	0	0
Diesel Fuel Subsidy	0	0	0	0	16,330	(16,329)	1
<b>Total</b>	<b>9,081,142</b>	<b>169,758</b>	<b>(8,979,058)</b>	<b>271,842</b>	<b>4,859,802</b>	<b>(5,103,473)</b>	<b>28,171</b>

Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

22. RATING INFORMATION

(a) Rates

RATE TYPE	Rate In \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	2018 Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	2018 Budget Total Revenue \$	2017 Actual Revenue \$
Differential general rate / general rate											
<b>Gross rental valuations</b>											
General	0.0715	1,165	29,482,651	2,108,824	12,943	745	2,120,512	2,081,761	5,000	2,086,761	2,053,237
Marina Developed	0.0983	92	3,215,900	316,533	4,126	1,848	322,507	314,177	0	314,177	296,758
Holiday Homes	0.1011	64	1,604,920	164,882	1,707	287	166,876	148,812	0	148,812	149,660
Vacant Land	0.1205	228	3,227,450	389,754	0	0	389,754	380,876	0	360,876	367,241
<b>Unimproved valuations</b>											
Mining	0.1552	16	307,610	47,741	(826)	(23)	46,892	46,138	1,000	47,138	45,524
Rural	0.0776	9	487,060	37,796	4,592	0	42,388	37,796	0	37,796	35,112
<b>Sub-Total</b>		<b>1,574</b>	<b>38,325,591</b>	<b>3,063,530</b>	<b>22,542</b>	<b>2,857</b>	<b>3,088,929</b>	<b>2,989,360</b>	<b>6,000</b>	<b>2,995,360</b>	<b>2,947,530</b>
Minimum payment											
<b>Gross rental valuations</b>											
General	900	68	0	61,200	0	0	61,200	58,500	0	58,500	44,100
Marina Developed	900	2	0	1,800	0	0	1,800	900	0	900	900
Holiday Homes	900	0	0	0	0	0	0	0	0	0	0
Vacant Land	900	177	0	159,300	0	0	159,300	162,900	0	162,900	194,400
<b>Unimproved valuations</b>											
Mining	284	13	99,620	3,692	0	0	3,692	3,976	0	3,976	3,976
Rural	900	1	7,794	900	0	0	900	900	0	900	900
<b>Sub-Total</b>		<b>261</b>	<b>107,414</b>	<b>226,892</b>	<b>0</b>	<b>0</b>	<b>226,892</b>	<b>227,176</b>	<b>0</b>	<b>227,176</b>	<b>244,276</b>
		<b>1,835</b>	<b>38,433,005</b>	<b>3,290,422</b>	<b>22,542</b>	<b>2,857</b>	<b>3,315,821</b>	<b>3,216,536</b>	<b>6,000</b>	<b>3,222,536</b>	<b>3,191,806</b>
Discounts/concessions (refer note 22(c))							(104,014)			(27,200)	
Total amount raised from general rate							3,211,807			3,195,336	3,191,806
Specified Area Rate (refer note 22(b))							46,814			46,213	45,689
Totals							3,258,621			3,241,549	3,237,395

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

22. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Rate In \$	Rateable Value	Revenue	Interim Rate Revenue	Back Rate Revenue	Total 2018 Rate Revenue	Budget Rate Revenue	Budget Back Rate Revenue	Budget Interim Rate Revenue	2018 Total Budget Revenue	2017 Actual Rate Revenue
Marina Specified Area Rate	0.0130	\$ 243,620	\$ 46,213	\$ 601	\$	\$ 46,814	\$ 46,213	\$	\$	\$ 46,213	\$ 45,589
			46,213	601	0	46,814	46,213	0	0	46,213	45,589

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	Rate Applied to Costs	Rate Set Aside to Reserve	Reserve Applied to Costs	Budget Rate Applied to Costs	Budget Rate Set Aside to Reserve	Budget Reserve Applied to Costs
Marina Specified Area Rate	The proceeds of the rate on the environmental monitoring of the canal waterway including preservation works in accordance with the Exmouth Marina Village for Transport, Lancorp and the Shire of Exmouth	Properties zoned Marina Canals	\$ 46,814	\$ 46,814	\$ 46,814	\$ 46,213	\$ 46,213	\$ 46,213
			46,814	46,814	46,814	46,213	46,213	46,213

22. RATING INFORMATION (Continued)

(c) Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession Is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
GRV General - Residential	Rates		0.0016	27,200	27,200
GRV General - Special Rural	Rates		0.0147	12,356	12,356
GRV General - Residential Development	Rates		0.0101	0	197
GRV Vacant Land - Properties zoned Industrial, light industrial, mixed use, tourist, town centre	Rates		0.0096	9,670	9,670
GRV Vacant Land - Special Rural	Rates		0.0490	17,117	17,118
GRV Vacant Land - Residential development and are vacant land	Rates		470	3,290	3,290
GRV Vacant - residential and are vacant	Rates		0.0472	1,855	1,855
GRV Vacant - Marina and vacant land	Rates		0.0016	2,608	2,606
GRV Holiday Homes	Rates		0.0312	19,526	19,526
GRV Holiday Homes - Marina homes zoned as holiday homes	Rates		0.0009	944	944
UV Rural - operate under a pastoral lease	Rates		0.0194	9,449	6,445



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

22. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates Interest
		Admn Charge	Interest Rate	Rate
		\$	%	%
<b>Option One</b>				
Single full payment	29/09/17	0	0.00%	11.00%
<b>Option Two</b>				
First Instalment	29/09/17	0	0.00%	11.00%
Second Instalment	29/11/17	15	5.50%	11.00%
<b>Option Three</b>				
First instalment	29/09/17	0	0.00%	11.00%
Second Instalment	29/11/17	15	5.50%	11.00%
Third Instalment	29/01/18	15	5.50%	11.00%
Fourth instalment	29/03/18	15	5.50%	11.00%
		<b>2,018</b>	<b>2018</b>	<b>2,017</b>
		<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
		\$	\$	\$
Interest on unpaid rates		51,907	42,050	53,311
Interest on Instalment plan		12,470	12,582	13,034
Charges on Instalment plan		15,092	15,260	15,638
Interest on deferred rates		703	872	0
		<b>80,172</b>	<b>70,764</b>	<b>81,983</b>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

23. NET CURRENT ASSETS

Composition of net current assets for  
the purposes of the Rate Setting Statement

	30 June 2018	30 June 2017
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	2,689,059	1,264,385
Restricted	6,437,450	6,028,803
Receivables		
Rates outstanding	302,096	336,908
Sundry debtors	1,261,982	1,120,290
GST receivable	104,844	62,357
Loans receivable - clubs/institutions	59,000	54,000
Accrued Revenue	61,037	47,913
Prepaid Expenditure	0	5,721
Inventories		
Fuel, Oil & Materials On Hand	28,847	39,398
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables		
Sundry creditors	(489,636)	(1,691,202)
Accrued interest on long term borrowings	(3,762)	(4,476)
Accrued salaries and wages	(126,290)	(115,553)
ATO liabilities	(166,021)	0
Prepaid Revenue	(605,290)	(22,080)
Accrued Expenses	(163,517)	(80,993)
Current portion of long term borrowings	(263,832)	(253,764)
Provisions		
Provision for annual leave	(550,938)	(563,438)
Provision for long service leave	(228,844)	(259,531)
Unadjusted net current assets	8,346,185	5,968,738
<b>Adjustments</b>		
Less: Reserves - restricted cash	(6,437,450)	(6,028,803)
Less: Loans receivable - clubs/institutions	(59,000)	(54,000)
Add: Current portion of long term borrowings	263,832	253,764
Add: Provision for Current Leave liabilities	779,782	822,969
<b>Surplus/(Deficit)</b>	<b>2,893,348</b>	<b>962,667</b>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

24. FINANCIAL RISK MANAGEMENT

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

The Shire 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 Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	9,126,509	7,293,188	9,126,509	7,293,188
Receivables	1,882,977	1,792,546	1,277,779	1,792,546
	<u>11,009,486</u>	<u>9,085,734</u>	<u>10,404,288</u>	<u>9,085,734</u>
<b>Financial liabilities</b>				
Payables	1,554,516	1,914,304	925,193	1,914,304
Borrowings	2,262,792	2,516,557	2,262,792	2,516,557
	<u>3,817,308</u>	<u>4,430,861</u>	<u>3,187,985</u>	<u>4,430,861</u>

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings - estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

24. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio.

The Shire has an Investment Policy and the Policy is subject to review by Council.

An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Shire.

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash	\$	\$
- Equity	91,265	103,952
- Statement of Comprehensive Income	91,265	72,932

Notes:

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible interest rate movements.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

The Shire's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire 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 Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Shire's credit risk at balance date was:

	2018	2017
Percentage of rates and annual charges	%	%
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of other receivables		
- Current	77.78%	69.10%
- Overdue	22.22%	30.90%

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 Shire 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 Shire's Payables and Borrowings are set out in the Liquidity Table below:

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2018</b>					
Payables	1,554,517	0	0	1,554,517	1,554,517
Borrowings	347,960	1,104,323	977,486	2,429,769	2,262,792
	1,902,477	1,104,323	977,486	3,984,286	3,817,309
<b>2017</b>					
Payables	5,016,304	0	0	5,016,304	5,016,304
Borrowings	347,960	1,241,852	1,518,552	3,108,364	2,516,557
	5,364,264	1,241,852	1,518,552	8,124,668	7,532,861

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
Fixed rate								
Long term borrowings	47,955	0	0	0	331,881	1,882,956	2,262,792	3.86%
Weighted average Effective Interest rate	5.65%	0.00%	0.00%	0.00%	2.41%	4.07%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
Fixed rate								
Long term borrowings	0	93,311	0	0	0	2,423,246	2,516,557	3.86%
Weighted average Effective interest rate	0.00%	5.65%	0.00%	0.00%	0.00%	4.81%		

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

25. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Hall & Rec Centre Bonds	4,750	8,850	(8,650)	4,950
Olma Funding	2,423	0	0	2,423
Forum Travel Fund	2,990	0	0	2,990
NADC	11,335	0	0	11,335
Cyclone Baptist Needy Fund	2,800	0	0	2,800
Council Nomination Fees	0	960	(880)	80
Sundries	7,894	800	(150)	8,544
Building/Planning Bonds	73,400	0	0	73,400
Youth Affairs	1,401	0	0	1,401
Exmouth Volunteer Fire & Rescue	50,000	0	0	50,000
Jurabi Coastal Park	59,400	0	0	59,400
Unclaimed Monies	7,637	0	0	7,637
Staff Housing Bonds	0	200	(200)	0
Key Bonds	850	1,000	(1,050)	800
Bond Deed Exmouth Marina Holdings	18,186	0	0	18,186
Cash In Lieu POS	169,420	0	0	169,420
Ingleton St Reserve 29086 (20A/152)	205,249	0	0	205,249
Donations to Other Organisations	135	74	(74)	135
BCITF Levy	0	22,663	(22,351)	312
BSL Levy	0	17,969	(17,693)	276
	617,870			619,338

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

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

	Title	Issued / Compiled	Applicable (1)	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii)	AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted.  Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.

Notes:

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



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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

## 27. 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 Shire's operating cycle. In the case of liabilities where the Shire 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 Shire'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 with changes in presentation for the current financial year.

When the Shire 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 revised budget apart from the cashflow statement. The detailed revised budget was adopted by council on 22 March 2018.

### f) Superannuation

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

### g) Fair value of assets and liabilities

Fair value is the price that the Shire 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) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

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

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

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

#### Valuation techniques

The Shire 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 Shire 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 Shire 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.

### i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

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

For non-cash generating 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 regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.



28. ACTIVITIES/PROGRAMS

Shire operations as disclosed in these financial statements encompass the following service orientated activities/programs.

PROGRAM NAME	OBJ ECTIV E	ACTIVITIES
GOVERNANCE	To provide a decision making process for efficient allocation of resources	Includes the activities of members of council and the administrative support available to the council for provision of governance of the shire. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision to services	The collection of rate revenue and the maintenance of valuation and rating records to support the collection process. General government grant and interest revenue
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally concious community	The provision of bushfire control services, animal control and support for emergency services, as well as the maintenance and enforcement of local laws
HEALTH	To provide an operational framework for environmental and community health	Maternal and Infant health, preventative service and environmental health
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly children and youth	Maintenance on playgroup and senior citezens buildings
HOUSING	To provide housing to staff members	Administration and operation of residential housing for council staff
COMMUNITY AMENITIES	To provide services required by the community	Maintenance of rubbish service to residents and maintenance of sanitary landfill sites. Town planning and regional development, maintenance of cemeteries and othe community amenities
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community	Maintenance of public halls, centres, swimming pool, beaches, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and radio broadcasting facilities
TRANSPORT	To provide safe, effective and efficient transport services to the community	Construction and maintenance of roads, street footpaths, depot, cycleways, parking facilities and traffic control. Cleanninbg of streets and maintenance of street trees, street lighting etc. Administration and operation of airport and aerodrome
ECONOMIC SERVICES	The promotion of the district to increase economic activities and the provision of building control within the shire	Tourism area promotion and building control
OTHER PR OPER TY AND SERVICES	To monitor and control Council's overheads operating accounts	The provision of private works to the public and the maintenance of cost pools for plant operating, public works overheads and administration costs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018

29. FINANCIAL RATIOS	2018	2017	2016
Current ratio	1.924	1.070	0.876
Asset consumption ratio	0.710	0.646	0.727
Asset renewal funding ratio	0.770	1.050	0.940
Asset sustainability ratio	0.193	0.129	0.625
Debt service cover ratio	9.778	15.143	7.866
Operating surplus ratio	(0.240)	(0.217)	(0.249)
Own source revenue coverage ratio	0.690	0.641	0.722

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes**

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by revenue and expenses associated with flood damage re-instatement which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	982,735	993,202	0
Amount of Financial Assistance Grant received in prior year relating to current year.	993,202	0	962,389

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	1.504	1.432	No Change
Debt service cover ratio	9.663	9.615	13.096
Operating surplus ratio	(0.244)	(0.321)	(0.238)





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Exmouth

Report on the Audit of the Financial Report

#### **Opinion**

I have audited the annual financial report of the Shire of Exmouth which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Exmouth:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 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 of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Emphasis of Matter- Basis of Accounting**

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

#### **Responsibilities of the Chief Executive Officer and Council for the Financial Report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

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

**Auditor's Responsibility for the Audit of 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.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.

Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.

Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
  - a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years
  - b. The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years.

The financial ratios are reported in Note 29 of the financial report.

- (ii) The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
  - a. Accounting journal entries were posted by one employee, without being reviewed by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions , and should therefore be appropriately reviewed and approved.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed .
- (v) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

**Other Matter**

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 29 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

**Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the annual financial report of the Shire of Exmouth for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website , they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
4 December 2018



Adopted by Council 13 December 2018