



SHIRE OF EXMOUTH

# Attachments

Audit Committee Meeting – 28 November 2019

**SHIRE OF EXMOUTH**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

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**COMMUNITY VISION**

To support and develop a vibrant, welcoming community that embraces its past it 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 2019**

*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 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Exmouth at 30 June 2019 and the results of the operations for the financial year 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 20th day of November 2019



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Chief Executive Officer

Cameron Woods

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Name of Chief Executive Officer





SHIRE OF EXMOUTH  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
<b>Revenue</b>				
Rates	23(a)	3,416,224	3,417,400	3,258,621
Operating grants, subsidies and contributions	2(a)	2,382,301	1,131,745	2,195,008
Fees and charges	2(a)	7,569,571	7,368,108	7,173,008
Interest earnings	2(a)	238,777	164,655	184,945
Other revenue	2(a)	415,692	43,400	152,726
		<u>14,022,565</u>	<u>12,125,308</u>	<u>12,964,308</u>
<b>Expenses</b>				
Employee costs		(6,358,115)	(6,481,084)	(5,598,863)
Materials and contracts		(2,753,547)	(3,086,655)	(2,303,971)
Utility charges		(842,565)	(930,734)	(743,936)
Depreciation on non-current assets	10(b)	(4,802,226)	(3,244,304)	(5,961,266)
Interest expenses	2(b)	(83,378)	(84,129)	(102,231)
Insurance expenses		(438,658)	(466,353)	(461,131)
Other expenditure		(206,408)	(407,851)	(426,875)
		<u>(15,484,897)</u>	<u>(14,701,110)</u>	<u>(15,598,273)</u>
		(1,462,332)	(2,575,802)	(2,633,965)
Non-operating grants, subsidies and contributions	2(a)	4,404,648	4,141,718	2,664,794
Profit on asset disposals	10(a)	10,717	6,939	0
(Loss) on asset disposals	10(a)	(39,403)	(179,979)	0
		<u>4,375,962</u>	<u>3,968,678</u>	<u>2,664,794</u>
<b>Net result for the period</b>		<b>2,913,630</b>	<b>1,392,876</b>	<b>30,829</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	12,472,769 (a)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>12,472,769</b>
<b>Total comprehensive income for the period</b>		<b>2,913,630</b>	<b>1,392,876</b>	<b>12,503,598</b>

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

a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.





SHIRE OF EXMOUTH  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
<b>Revenue</b>	2(a)			
Governance		171,168	8,200	16,427
General purpose funding		5,536,439	4,459,276	5,256,879
Law, order, public safety		52,571	41,570	56,894
Health		51,170	39,622	36,544
Education and welfare		2,612	1,600	31,822
Housing		64,333	59,932	155,095
Community amenities		1,260,703	1,202,223	1,169,505
Recreation and culture		1,000,814	811,178	556,129
Transport		5,447,375	5,244,500	5,360,526
Economic services		217,183	239,377	225,084
Other property and services		218,197	17,830	99,403
		<u>14,022,565</u>	<u>12,125,308</u>	<u>12,964,308</u>
<b>Expenses</b>	2(b)			
Governance		(812,660)	(801,710)	(880,939)
General purpose funding		(144,884)	(125,436)	(71,816)
Law, order, public safety		(450,626)	(402,714)	(473,282)
Health		(221,628)	(162,194)	(187,375)
Education and welfare		(80,029)	(87,179)	(166,400)
Housing		(31,692)	32,724	0
Community amenities		(1,752,352)	(2,004,892)	(1,791,782)
Recreation and culture		(4,883,144)	(5,297,115)	(4,968,376)
Transport		(6,402,969)	(5,222,169)	(6,310,585)
Economic services		(460,522)	(559,480)	(645,487)
Other property and services		(161,013)	13,184	0
		<u>(15,401,519)</u>	<u>(14,616,981)</u>	<u>(15,496,042)</u>
<b>Finance Costs</b>	2(b)			
Housing		(32,143)	(32,724)	(40,497)
Community amenities		(7,461)	(7,519)	(10,794)
Recreation and culture		(31,055)	(31,109)	(36,335)
Other property and services		(12,719)	(12,777)	(14,605)
		<u>(83,378)</u>	<u>(84,129)</u>	<u>(102,231)</u>
		<u>(1,462,332)</u>	<u>(2,575,802)</u>	<u>(2,633,965)</u>
Non-operating grants, subsidies and contributions	2(a)	4,404,648	4,141,718	2,664,794
Profit on disposal of assets	10(a)	10,717	6,939	0
(Loss) on disposal of assets	10(a)	(39,403)	(179,979)	0
		<u>4,375,962</u>	<u>3,968,678</u>	<u>2,664,794</u>
<b>Net result for the period</b>		<u>2,913,630</u>	<u>1,392,876</u>	<u>30,829</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	12,472,769 (a)
<b>Total other comprehensive income for the period</b>		<u>0</u>	<u>0</u>	<u>12,472,769</u>
<b>Total comprehensive income for the period</b>		<u>2,913,630</u>	<u>1,392,876</u>	<u>12,503,598</u>

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

a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.

SHIRE OF EXMOUTH  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	Restated 2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	12,182,541	9,126,509
Trade receivables	5	1,818,362	1,727,922
Inventories	6	55,830	28,847
Other current assets	7	40,615	61,037
<b>TOTAL CURRENT ASSETS</b>		<b>14,097,348</b>	<b>10,944,315</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	126,981	94,018
Inventories	6	1,285,567	1,446,263
Property, plant and equipment	8	67,232,392	68,330,659 <sup>(a)</sup>
Infrastructure	9	51,795,395	51,492,495
<b>TOTAL NON-CURRENT ASSETS</b>		<b>120,440,335</b>	<b>121,363,435</b>
<b>TOTAL ASSETS</b>		<b>134,537,683</b>	<b>132,307,750</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,005,572	1,554,516
Borrowings	13(b)	223,637	263,832
Employee related provisions	14	958,906	779,782
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,188,115</b>	<b>2,598,130</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13(b)	1,775,323	1,998,960
Employee related provisions	14	89,778	139,822
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,865,101</b>	<b>2,138,782</b>
<b>TOTAL LIABILITIES</b>		<b>4,053,216</b>	<b>4,736,912</b>
<b>NET ASSETS</b>		<b>130,484,467</b>	<b>127,570,838</b>
<b>EQUITY</b>			
Retained surplus		66,417,461	66,418,539
Reserves - cash backed	4	9,352,157	6,437,450
Revaluation surplus	11	54,714,849	54,714,849 <sup>(a)</sup>
<b>TOTAL EQUITY</b>		<b>130,484,467</b>	<b>127,570,838</b>

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

a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.



SHIRE OF EXMOUTH  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>		<b>66,796,356</b>	<b>6,028,804</b>	<b>42,766,553</b>	<b>115,591,713</b>
Comprehensive income					
Net result for the period		30,829	0	0	30,829
Other comprehensive income	11	0	0	12,472,769	12,472,769
Total comprehensive income		30,829	0	12,472,769	12,503,598
Transfers from/(to) reserves		(408,646)	408,646	0	0
<b>Balance as at 30 June 2018</b>		<b>66,418,539</b>	<b>6,437,450</b>	<b>55,239,322</b>	<b>128,095,311</b>
Adjustment to Revaluation Surplus		0	0	(524,473) <sup>(a)</sup>	(524,473) <sup>(a)</sup>
<b>Restated balance as at 30 June 2018</b>		<b>66,418,539</b>	<b>6,437,450</b>	<b>54,714,849</b>	<b>127,570,838</b>
Comprehensive income					
Net result for the period		2,913,630	0	0	2,913,630
Total comprehensive income		2,913,630	0	0	2,913,630
Transfers from/(to) reserves		(2,914,707)	2,914,707	0	0
<b>Balance as at 30 June 2019</b>		<b>66,417,461</b>	<b>9,352,157</b>	<b>54,714,849</b>	<b>130,484,468</b>

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

a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.



SHIRE OF EXMOUTH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		3,351,216	3,576,179	3,291,748
Operating grants, subsidies and contributions		2,219,062	483,713	2,040,192
Fees and charges		7,569,571	7,368,108	7,173,008
Interest received		238,777	164,655	184,945
Goods and services tax received		0	121,100	104,844
Other revenue		415,692	43,400	101,376
		<u>13,794,318</u>	<u>11,757,155</u>	<u>12,896,113</u>
<b>Payments</b>				
Employee costs		(6,374,591)	(6,339,795)	(5,492,802)
Materials and contracts		(3,009,373)	(3,233,702)	(2,823,529)
Utility charges		(842,565)	(930,734)	(743,936)
Interest expenses		(76,805)	(83,379)	(102,945)
Insurance paid		(438,658)	(466,353)	(461,131)
Goods and services tax paid		104,844	(121,100)	(147,332)
Other expenditure		(206,408)	(407,851)	(375,525)
		<u>(10,843,556)</u>	<u>(11,582,914)</u>	<u>(10,147,200)</u>
<b>Net cash provided by (used in) operating activities</b>	15	<u>2,950,762</u>	<u>174,241</u>	<u>2,748,913</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(1,031,751)	(1,974,500)	(2,301,651)
Payments for construction of infrastructure		(3,111,841)	(3,148,202)	(1,092,994)
Non-operating grants, subsidies and contributions		4,404,648	4,141,718	2,664,794
Proceeds from sale of property, plant & equipment		108,046	122,319	0
<b>Net cash provided by (used in) investment activities</b>		<u>369,102</u>	<u>(858,665)</u>	<u>(729,851)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(263,832)	(263,832)	(253,765)
Advances to community groups		0	60,000	0
Proceeds from self supporting loans		0	55,000	0
Proceeds from new borrowings		0	(60,000)	0
Proceeds from community loans		0	0	68,024
<b>Net cash provided by (used in) financing activities</b>		<u>(263,832)</u>	<u>(208,832)</u>	<u>(185,741)</u>
<b>Net increase (decrease) in cash held</b>		3,056,032	(893,256)	1,833,321
Cash at beginning of year		9,126,509	9,126,509	7,293,188
<b>Cash and cash equivalents at the end of the year</b>	15	<u><u>12,182,541</u></u>	<u><u>8,233,253</u></u>	<u><u>9,126,509</u></u>

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

SHIRE OF EXMOUTH  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	24 (b)	2,893,349	982,735	962,667
		<u>2,893,349</u>	<u>982,735</u>	<u>962,667</u>
<b>Revenue from operating activities (excluding rates)</b>				
Governance		171,168	8,200	16,427
General purpose funding		2,172,757	1,089,169	2,045,072
Law, order, public safety		52,571	41,570	56,894
Health		51,170	39,622	36,544
Education and welfare		2,612	1,600	31,822
Housing		64,333	59,932	155,095
Community amenities		1,260,703	1,202,223	1,169,505
Recreation and culture		1,000,814	811,178	556,129
Transport		5,458,092	5,251,439	5,360,526
Economic services		217,183	239,377	225,084
Other property and services		218,197	17,830	99,403
		<u>10,669,600</u>	<u>8,762,140</u>	<u>9,752,501</u>
<b>Expenditure from operating activities</b>				
Governance		(812,660)	(125,436)	(880,939)
General purpose funding		(144,884)	(801,710)	(71,816)
Law, order, public safety		(450,626)	(402,714)	(473,282)
Health		(221,628)	(162,194)	(187,375)
Education and welfare		(80,029)	(87,179)	(166,400)
Housing		(63,835)	0	(40,497)
Community amenities		(1,759,813)	(2,075,357)	(1,802,576)
Recreation and culture		(4,914,199)	(5,328,224)	(5,004,711)
Transport		(6,428,373)	(5,292,390)	(6,310,585)
Economic services		(460,522)	(590,885)	(645,487)
Other property and services		(187,731)	(15,000)	(14,605)
		<u>(15,524,300)</u>	<u>(14,881,089)</u>	<u>(15,598,273)</u>
Non-cash amounts excluded from operating activities	24(a)	5,118,725	3,071,264	5,888,885
Amount attributable to operating activities		<u>3,157,374</u>	<u>(2,064,950)</u>	<u>1,005,780</u>
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		4,404,648	4,141,718	2,664,794
Proceeds from disposal of assets	10(a)	108,046	122,319	0
Purchase of property, plant and equipment	8(a)	(1,031,751)	(1,974,500)	(2,301,651)
Purchase and construction of infrastructure	9(a)	(3,111,841)	(3,148,202)	(1,092,994)
Amount attributable to investing activities		<u>369,102</u>	<u>(858,665)</u>	<u>(729,851)</u>
<b>FINANCING ACTIVITIES</b>				
Advances to community groups		(60,000)	0	0
Repayment of borrowings	13(b)	(263,832)	(263,832)	(253,765)
Proceeds from borrowings	13(c)	0	(60,000)	0
Proceeds from community loans		65,000	55,000	68,024
Transfers to reserves (restricted assets)	4	(4,083,460)	(1,037,307)	(697,017)
Transfers from reserves (restricted assets)	4	1,168,753	860,284	288,371
Amount attributable to financing activities		<u>(3,173,539)</u>	<u>(445,855)</u>	<u>(594,387)</u>
Surplus/(deficit) before imposition of general rates		<u>352,937</u>	<u>(3,369,470)</u>	<u>(318,458)</u>
Total amount raised from general rates	23	<u>3,363,682</u>	<u>3,370,107</u>	<u>3,211,807</u>
Surplus/(deficit) after imposition of general rates	24(b)	<u><u>3,716,619</u></u>	<u><u>637</u></u>	<u><u>2,893,349</u></u>

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 Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

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 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*.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the 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 26 to these financial statements.



**2. REVENUE AND EXPENSES (Continued)**

(a) Revenue

**Grant Revenue**

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	0	0	0
General purpose funding	1,892,207	886,690	1,836,082
Law, order, public safety	20,253	28,575	40,371
Recreation and culture	322,915	145,000	231,246
Transport	95,419	55,980	65,980
Economic services	30,000	0	5,000
Other property and services	21,507	15,500	16,329
	2,382,301	1,131,745	2,195,008
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	151,848	140,000	0
Community amenities	67,300	0	0
Recreation and culture	1,416,985	1,724,000	1,976,068
Transport	2,768,515	2,277,718	688,726
	4,404,648	4,141,718	2,664,794
	6,786,949	5,273,463	4,859,802
<b>Total grants, subsidies and contributions</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 22.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

**2. REVENUE AND EXPENSES**

(a) Revenue (Continued)	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
<b>Other revenue</b>			
Reimbursements and recoveries	349,115	12,900	97,376
Sale of inventory	66,577	0	0
Other	0	30,500	55,350
	<u>415,692</u>	<u>43,400</u>	<u>152,726</u>
<b>Fees and Charges</b>			
General purpose funding	41,773	34,824	24,045
Law, order, public safety	13,247	8,495	12,523
Health	51,170	39,622	36,544
Education and welfare	432	100	29,440
Housing	61,798	59,932	109,395
Community amenities	1,258,788	1,202,223	1,168,031
Recreation and culture	607,451	602,685	274,731
Transport	5,345,015	5,188,520	5,295,416
Economic services	187,096	229,377	220,083
Other property and services	2,801	2,330	2,800
	<u>7,569,571</u>	<u>7,368,108</u>	<u>7,173,008</u>

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

**Interest earnings**

Reserve accounts interest	157,641	89,231	101,037
Rates instalment and penalty interest (refer Note 23(d))	64,562	57,924	54,632
Other interest earnings	16,574	17,500	19,531
	<u>238,777</u>	<u>164,655</u>	<u>175,200</u>

**(b) Expenses**

	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	47,000	46,000	22,968
- Other services	30,417	17,000	21,620
	<u>77,417</u>	<u>63,000</u>	<u>44,588</u>
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 13(b))	83,378	84,129	102,231
	<u>83,378</u>	<u>84,129</u>	<u>102,231</u>

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**3. CASH AND CASH EQUIVALENTS**

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		12,182,541	9,126,509
		<u>12,182,541</u>	<u>9,126,509</u>
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		1,832,563	2,250,889
- Restricted cash and cash equivalents		<u>10,349,978</u>	<u>6,875,620</u>
		12,182,541	9,126,509
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Reserves cash backed - Leave Reserve	4	688,110	255,275
Aviation Reserve	4	1,244,600	1,173,441
Building Infrastructure Reserve	4	628,949	369,174
Community Development Fund Reserve	4	1,360,721	1,659,472
Community Interest Free Loans Reserve	4	339,770	390,299
Insurance/Natural Disasters Reserve	4	181,056	176,386
Marina Canal Reserve (Specified Area Rates)	4	308,782	255,079
Marina Village Asset Replace & Preservation Reserv	4	32,912	5,986
Ningaloo Centre Reserve	4	253,095	0
Plant Reserve	4	984,318	719,476
Public Radio Infrastructure Reserve	4	5,103	0
Rehabilitation Reserve	4	249,415	204,013
Roads Reserve	4	586,492	0
Shire Staff Housing Reserve	4	134,917	34,016
Swimming Pool Reserve	4	541,961	430,562
Town Planning Scheme Reserve	4	21,621	21,063
Waste Management Reserve	4	1,062,443	648,924
Unspent Grants & Contributions	4	0	94,284
Land Acquisition & Disposal Reserve	4	717,892	0
Mosquito Management Reserve	4	10,000	0
		<u>9,352,157</u>	<u>6,437,450</u>
<b>Other restricted cash and cash equivalents</b>			
Unspent grants/contributions	22	570,620	28,170
Bonds & Deposits Held		17,201	0
Unspent loans	13(c)	410,000	410,000
<b>Total restricted cash and cash equivalents</b>		<u>10,349,978</u>	<u>6,875,620</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)**

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



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4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2018		2018		2018	
	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Budget Closing Balance	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Budget Closing Balance	Actual Opening Balance	Actual Transfer	Actual Closing Balance	
(a) Reserves cash backed - Leave Reserve	255,275	432,835	688,110	255,275	3,817	0	250,943	4,332	255,275	250,943	0	259,082	250,943	0	255,275	
(b) Aviation Reserve	1,173,441	171,159	1,244,600	1,173,441	17,545	(215,000)	1,153,526	19,915	1,173,441	1,153,526	0	975,986	1,153,526	0	1,173,441	
(c) Building Infrastructure Reserve	369,174	259,774	628,948	369,174	5,520	0	362,909	6,265	369,174	362,909	0	374,694	362,909	0	369,174	
(d) Community Development Fund Reserve	1,659,472	40,284	1,360,721	1,659,472	24,807	(40,000)	1,729,611	29,861	1,659,472	1,644,279	(100,000)	1,644,279	1,729,611	(100,000)	1,659,472	
(e) Community Interest Free Loans Reserve	390,299	9,471	339,770	390,299	5,836	(60,000)	383,675	6,624	390,299	336,135	0	336,135	383,675	0	390,299	
(f) Insurance/Natural Disasters Reserve	176,386	4,670	181,056	176,386	2,637	0	173,393	2,993	176,386	179,023	0	179,023	173,393	0	176,386	
(g) Marina Canal Reserve (Specified Area Rates)	255,079	53,703	0	255,079	49,825	0	33,617	221,462	255,079	304,904	0	304,904	33,617	0	255,079	
(h) Marina Village Asset Replace & Preservation Reserve	5,986	26,926	32,912	5,986	26,316	0	5,884	102	5,986	32,302	0	32,302	5,884	0	5,986	
(i) Ningaloo Centre Reserve	0	253,095	0	253,095	0	150,000	0	0	0	150,000	0	150,000	0	0	0	
(j) Plant Reserve	719,476	614,842	984,318	719,476	350,900	(350,000)	707,265	12,211	719,476	720,376	0	720,376	707,265	0	719,476	
(k) Public Radio Infrastructure Reserve	0	5,103	5,103	0	5,000	0	0	0	0	5,000	0	5,000	0	0	0	
(l) Rehabilitation Reserve	204,013	45,402	249,415	204,013	3,050	0	207,063	3,462	204,013	207,063	0	207,063	200,551	0	204,013	
(m) Roads Reserve	0	586,492	586,492	0	280,700	0	280,700	0	0	280,700	0	280,700	0	0	0	
(n) Shire Staff Housing Reserve	34,016	100,901	134,917	34,016	509	0	33,439	577	34,016	34,525	0	34,525	33,439	0	34,016	
(o) Swimming Pool Reserve	430,562	111,400	541,962	430,562	6,738	0	437,300	7,463	430,562	437,300	0	432,265	437,300	(9,166)	430,562	
(p) Town Planning Scheme Reserve	21,063	558	21,621	21,063	315	0	20,705	358	21,063	21,378	0	20,705	20,705	0	21,063	
(q) Waste Management Reserve	648,924	413,519	1,062,443	648,924	104,094	(101,000)	652,018	379,745	648,924	652,018	0	652,018	269,179	0	648,924	
(r) Unspent Grants & Contributions	94,284	225,424	(319,708)	94,284	0	(94,284)	0	0	94,284	0	0	0	271,842	(179,205)	94,284	
(s) Land Acquisition & Disposal Reserve	0	717,892	717,892	0	0	0	0	0	0	0	0	0	0	0	0	
(t) Mosquito Management Reserve	0	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	
	6,437,450	4,083,460	(1,168,753)	6,437,450	1,037,609	(860,284)	6,028,804	687,017	6,437,450	6,614,775	0	6,614,775	6,028,804	(288,371)	6,437,450	

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
Reserves cash backed - 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 Reserve	Ongoing	To be used for the development, preservation and management of building infrastructure within the Shire
Community Development Fund Reserve	Ongoing	To be used to fund major community development initiatives
Community Interest Free Loans Reserve	Ongoing	To be used to support 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 reprints in addition to any weather related insurance, WANDARRA claims.
Marina Canal Reserve (Specified Area Rates)	Ongoing	To be used for the purpose of funding future dredging costs as well as environmental water control and maintenance of canals. These funds were derived from levying a Specified Area Rate titled Marina Specified Area Rate
Marina Village Asset Replace & Preservation Reserve	Ongoing	To be used for the preservation and maintenance of infrastructure related to the Exmouth Marina Village
Ningaloo Centre Reserve	Ongoing	To be used for the preservation of the Ningaloo Centre
Plant Reserve	Ongoing	To be used for the purchase of major plant and equipment
Public Radio Infrastructure Reserve	Ongoing	To be used to maintain broadcasting infrastructure
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
Roads Reserve	Ongoing	To be used for the preservation and maintenance of Roads
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	Ongoing	To be used for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties
Land Acquisition & Disposal Reserve	Ongoing	To be used to fund the acquisition and disposal of Shire owned land & Buildings
Mosquito Management Reserve	Ongoing	To be used to access funds when mosquito-borne disease/nuisance is greater than normal.
Tourism Development Fund	Ongoing	To be used to fund the development and implementation of initiatives to achieve the strategic tourism and economic development objectives of the Shire.

**5. TRADE RECEIVABLES**

**Current**

Rates receivable	
Sundry receivables	
GST receivable	
Loans Receivables - clubs/institutions	

**Non-current**

Pensioner's rates and ESL deferred	
Loans Receivables - clubs/institutions	

	2019	2018
	\$	\$
	365,141	302,096
	1,430,221	1,261,982
	0	104,844
	23,000	59,000
	<u>1,818,362</u>	<u>1,727,922</u>
	41,981	40,018
	85,000	54,000
	<u>126,981</u>	<u>94,018</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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

**Impairment and risk exposure**

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 25.

**Previous accounting policy: impairment of trade receivables**

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

**Classification and subsequent measurement**

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

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



**6. INVENTORIES**

**Current**

Fuel, oil and materials on hand

**Non-current**

Land held for resale - cost

Cost of acquisition

	2019	2018
	\$	\$
	55,830	28,847
	<u>55,830</u>	<u>28,847</u>
	1,285,567	1,446,263
	<u>1,285,567</u>	<u>1,446,263</u>

The following movements in inventories occurred during the year:

**Carrying amount at 1 July**

Inventories expensed during the year

Additions to inventory

**Carrying amount at 30 June**

	1,475,110	1,475,110
	(160,696)	0
	26,983	0
	<u>1,341,397</u>	<u>1,475,110</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)**

Borrowing 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 onto 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.



**7. OTHER ASSETS AND ASSETS CLASSIFIED  
 AS HELD FOR SALE**

**Other current assets**

Accrued Revenue

	2019	2018
	\$	\$
	40,615	61,037
	40,615	61,037

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

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

**Non-current assets held for sale**

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

**Non-current assets held for sale (Continued)**

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

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value hierarchy set out in Note 30(h).

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**8. PROPERTY, PLANT AND EQUIPMENT**

**(a) 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	property, plant and equipment Works in Progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	7,703,000	7,703,000	5,410,000	51,420,832	56,830,832	64,533,832	1,668,563	3,164,680	0	69,367,075
Additions	0	0	40,870	2,109,642	2,150,512	2,150,512	119,938	31,201	0	2,301,651
Depreciation (expense)	0	0	(151,106)	(1,848,116)	(1,999,222)	(1,999,222)	(321,073)	(660,742)	0	(2,981,037)
Transfers	0	0	0	0	0	0	153,270	14,173	0	167,443
<b>Carrying amount at 30 June 2018</b>	7,703,000	7,703,000	5,299,764	51,682,358	56,982,122	64,685,122	1,620,698	2,549,312	0	68,855,132
<b>Comprises:</b>										
Gross carrying amount at 30 June 2018	7,703,000	7,703,000	7,102,544	76,028,800	83,131,344	90,834,344	3,647,640	6,443,707	0	100,925,691
Accumulated depreciation at 30 June 2018	0	0	(1,802,780)	(24,346,442)	(26,149,222)	(26,149,222)	(2,026,942)	(3,894,395)	0	(32,070,559)
<b>Carrying amount at 30 June 2018</b>	7,703,000	7,703,000	5,299,764	51,682,358	56,982,122	64,685,122	1,620,698	2,549,312	0	68,855,132
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	(520,918)	(520,918)	(520,918)	(3,556)	0	0	(524,474)
<b>Restated carrying amount at 30 June 2018</b>	7,703,000	7,703,000	5,299,764	51,161,440	56,461,204	64,164,204	1,617,142	2,549,312	0	68,330,658
Additions	0	0	30,320	189,867	220,187	220,187	152,082	391,134	268,348	1,031,751
(Disposals)	0	0	0	0	0	0	0	(136,732)	0	(136,732)
Depreciation (expense)	0	0	(101,913)	(1,005,620)	(1,107,533)	(1,107,533)	(291,216)	(594,536)	0	(1,993,285)
Transfers	0	0	(229,674)	229,674	0	0	0	0	0	0
<b>Carrying amount at 30 June 2019</b>	7,703,000	7,703,000	4,998,497	50,575,361	55,573,858	63,276,858	1,478,008	2,209,178	268,348	67,232,392
<b>Comprises:</b>										
Gross carrying amount at 30 June 2019	7,703,000	7,703,000	6,903,189	75,562,891	82,466,080	90,169,080	3,774,743	5,904,168	268,348	100,116,339
Accumulated depreciation at 30 June 2019	0	0	(1,904,692)	(24,987,530)	(26,892,222)	(26,892,222)	(2,296,735)	(3,694,990)	0	(32,883,947)
<b>Carrying amount at 30 June 2019</b>	7,703,000	7,703,000	4,998,497	50,575,361	55,573,858	63,276,858	1,478,008	2,209,178	268,348	67,232,392

(a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for properties	Independent valuation	01 June 2017	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent valuation	01 June 2017	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement costs	Independent valuation	01 June 2017	Construction costs and current condition residual values and remaining useful life inputs
<b>Furniture and equipment</b>	2	Market approach using recent observable market data for similar properties	Independent valuation	01 June 2016	Provide an indication of value by comparing the subject asset with identical or similar assets or using economic principle approach
<b>Plant and equipment</b>	2	Market approach using recent observable market data for similar properties	Independent valuation	01 June 2016	Provides an indication of value by comparing the subject 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.



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9. INFRASTRUCTURE

(a) 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	Other infrastructure - Works in Progress	Total Infrastructure
	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	16,707,897	23,842,036	0	40,549,933
Additions	849,398	243,596	0	1,092,994
Revaluation increments / (decrements) transferred to revaluation surplus	12,838,184	159,058	0	12,997,242
Depreciation (expense)	(1,394,413)	(1,585,816)	0	(2,980,229)
Transfers	7,462,400	(7,629,845)	0	(167,445)
<b>Carrying amount at 30 June 2018</b>	36,463,466	15,029,029	0	51,492,495
<b>Comprises:</b>				
Gross carrying amount at 30 June 2018	44,160,645	21,292,234	0	65,452,879
Accumulated depreciation at 30 June 2018	(7,697,179)	(6,263,205)	0	(13,960,384)
<b>Carrying amount at 30 June 2018</b>	36,463,466	15,029,029	0	51,492,495
Additions	2,552,038	424,005	135,798	3,111,841
Depreciation (expense)	(2,287,260)	(521,681)	0	(2,808,941)
<b>Carrying amount at 30 June 2019</b>	36,728,244	14,931,353	135,798	51,795,395
<b>Comprises:</b>				
Gross carrying amount at 30 June 2019	46,712,683	21,716,239	135,798	68,564,720
Accumulated depreciation at 30 June 2019	(9,984,439)	(6,784,886)	0	(16,769,325)
<b>Carrying amount at 30 June 2019</b>	36,728,244	14,931,353	135,798	51,795,395

SHIRE OF EXMOUTH  
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9. INFRASTRUCTURE (Continued)

(b) 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	01 June 2018	Assessment of remaining useful life, replacement costs and considered the following; construction date, visual condition, evidence of repairs or capital works and surrounding environmental factors
Infrastructure - other	3	Cost approach using depreciated replacement cost	Independent valuation	01 June 2018	Assessment of remaining useful life, replacement costs and considered the following; construction date, visual condition, evidence of repairs or capital works and surrounding environmental 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.

## 10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

### SIGNIFICANT ACCOUNTING POLICIES

#### Fixed assets

Each class of fixed assets within either 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 where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are 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 and no more than five 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.

### AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

#### 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.



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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019		2019		2019		2019		2018		2018				
	Actual	Actual	Actual	Actual	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual			
Net Book Value	Proceeds	Profit	Loss	Net Book Value	Proceeds	Profit	Loss	Net Book Value	Proceeds	Profit	Loss	Net Book Value	Proceeds	Profit	Loss
Plant and equipment	\$ 136,732	\$ 108,046	\$ 10,716	\$ (39,402)	\$ 295,359	\$ 122,319	\$ 0	\$ (173,040)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	136,732	108,046	10,716	(39,402)	295,359	122,319	0	(173,040)	0	0	0	0	0	0	0

	2019		2019				
	Actual	Actual	Actual	Actual			
Net Book Value	Proceeds	Profit	Loss	Net Book Value	Proceeds	Profit	Loss
Plant and Equipment	\$ 84,552	\$ 69,864	\$ 10,716	\$ (25,404)			
Transport	52,180	38,182	0	(13,998)			
Other property and services	136,732	108,046	10,716	(39,402)			

The following assets were disposed of during the year.

	2019		2019				
	Actual	Actual	Actual	Actual			
Net Book Value	Proceeds	Profit	Loss	Net Book Value	Proceeds	Profit	Loss
Plant and Equipment	15,984	22,500	6,516	0			
Transport	10,000	11,000	1,000	0			
Hitachi Excavator (P057)	26,453	13,636	0	(12,817)			
Cat Bobcat Skid Loader EX7712	11,531	3,182	0	(8,349)			
Iveco Acco Water Truck EX 7709	6,512	2,273	0	(4,239)			
2011 Toyota Hilux S/Cab EX042	9,072	10,909	1,837	0			
Mazda 2WD Ute EX7795	5,000	6,364	1,364	0			
2011 Mitsubishi Challenger 1EWJ691	84,552	69,864	10,717	(25,405)			
Mitsubishi Outlander	27,081	19,091	0	(7,990)			
Transport Total	25,099	19,091	0	(6,008)			
Other property and services	52,180	38,182	0	(13,998)			
2015 Holden Colorado 3003EX	136,732	108,046	10,717	(39,403)			
2014 Holden Colorado 3EX							
Other property and services Total							

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	101,913	966,197	151,106
Buildings - specialised	1,005,620	0	1,848,116
Furniture and equipment	291,216	146,031	321,073
Plant and equipment	594,536	186,650	660,742
Infrastructure - roads	2,287,260	822,749	1,394,413
Infrastructure - other	521,681	1,122,677	1,585,816
	4,802,226	3,244,304	5,961,266

Revision of depreciation calculations

During the year the estimated total useful lives and minimum written down values were reviewed which resulted in a significant decrease to depreciation in 2019.

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.

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

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

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

Depreciation rates

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

Asset Class	Useful life
<u>Buildings</u>	
Buildings - Non Specialised	30-50 years
Buildings - Specialised	30-50 years
<u>Plant &amp; Equipment</u>	
Medium to Heavy	3-10 years
Light to medium vehicles	2-5 years
Minor Equipment	2-5 years
Furniture & Equipment	
Computer Equipment & Software	3-5 Years
Furniture & Other Equipment	5-10 Years
<u>Infrastructure - Roads ( including carpark)</u>	
Roads - Subgrade & Gravel Sheet	Not Depreciated
Road Surface - Sealed Pavement	40 years
Road Surface - Brick paving	30 years
Road Surface - Asphalt	20 years
Road Surface - Concrete	80 years
Road Surface - Spray Seal	10-13 years

Depreciation (Continued)

Asset Class	Useful life
<u>Infrastructure - Roads ( including carpark)</u> cont'd	
Drainage - Storm Water	60-80 years
Drainage - Culverts	30-80 years
Drainage - Sealed/ Concrete Floodway	40-80 years
Drainage - Gravel Floodway	10-15 years
Footpaths	30-40 years
Street Lighting	15 years
Cattle Grid	80 years
Bridges	50 years
<u>Infrastructure - Other</u>	
Airfields - Runway, Apron	20-50 years
Boat Ramps and Jetties	40-50 years
Seawall	80 years
Public Spaces - Lighting	30-50 years
Public Spaces - Furniture	15-20 years
Public Spaces - Structures	20-50 years
Public Spaces - Courts, Skate park	40-50 years
Public Spaces - Reticulation, Irrigation	30-40 years

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.

SHIRE OF EXMOUTH  
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11. REVALUATION SURPLUS

	2019	2019	2018	2018	2018	2018	2018	2018	2018	2018
	Opening	Closing	Opening	Revaluation	Closing	Adj Movement	Adj Movement	Revaluation	Total	Restated
	Balance	Balance	Balance	Increment	Balance	on Revaluation	on Revaluation	Revaluation	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	3,170,303	3,170,303	3,170,303	0	3,170,303	0	0	0	0	3,170,303
Revaluation surplus - Buildings - non-specialised	(51,616)	(51,616)	(51,616)	0	(51,616)	0	0	0	0	(51,616)
Revaluation surplus - Buildings - specialised	21,508,659	21,508,659	22,029,577	0	22,029,576	(520,917) <sup>(a)</sup>	(520,917)	(520,917)	(520,917)	21,508,659
Revaluation surplus - Furniture and equipment	1,207,740	1,207,740	1,211,296	0	1,211,296	(3,556) <sup>(a)</sup>	(3,556)	(3,556)	(3,556)	1,207,740
Revaluation surplus - Plant and equipment	1,094,483	1,094,483	1,094,483	0	1,094,483	0	0	0	0	1,094,483
Revaluation surplus - Infrastructure - roads	21,309,940	21,309,940	8,471,756	12,838,184	21,309,940	0	0	12,838,184	12,838,184	21,309,940
Revaluation surplus - Infrastructure - other	6,475,340	6,475,340	6,316,282	159,058	6,475,340	0	0	159,058	159,058	6,475,340
	54,714,849	54,714,849	42,242,081	12,997,242	55,239,322	(524,473)	(524,473)	12,472,769	12,472,769	54,714,849

Movements on revaluation of property, plant and equipment (including infrastructure) 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.  
 (a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.



**12. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors  
 Accrued interest on debentures  
 Accrued salaries and wages  
 ATO liabilities  
 Prepaid Revenue  
 Accrued Expenses

	2019	2018
	\$	\$
	375,429	489,636
	10,335	3,762
	132,510	126,290
	0	166,021
	36,334	605,290
	450,964	163,517
	<u>1,005,572</u>	<u>1,554,516</u>

**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.

SHIRE OF EXMOUTH  
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13. INFORMATION ON BORROWINGS

	2019	2018
(a) Borrowings	\$	\$
Current	223,637	263,832
Non-current	1,775,323	1,998,960
	1,998,960	2,262,792

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2019		30 June 2019		30 June 2019		30 June 2019		30 June 2018		30 June 2018		30 June 2018	
				Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Budget Principal	Budget Interest	Actual Principal	Actual Interest	Actual Principal	Actual Interest		
Housing																	
Snapper Loop - Land	77	WATC	5.65%	47,955	1,585	47,955	2,042	47,955	2,042	0	0	45,356	4,640	47,955	47,955		
Snapper Loop - Dwellings	80	WATC	4.73%	677,075	30,558	677,075	30,882	677,075	30,882	614,540	614,540	59,651	35,857	677,075	677,075		
Community amenities																	
Rubbish Truck	81	WATC	2.41%	331,881	7,461	331,881	7,519	331,881	7,519	251,868	251,868	78,119	10,794	331,881	331,881		
Recreation and culture																	
Ningaloo Centre	82	WATC	3.33%	947,628	31,055	947,628	31,109	947,628	31,109	893,498	893,498	52,372	36,335	947,628	947,628		
Other property and services																	
1 Bennett Street - Land	76	WATC	5.04%	258,253	12,719	258,253	12,777	258,253	12,777	239,054	239,054	18,267	14,605	258,253	258,253		
				2,262,792	83,378	2,262,792	84,129	2,262,792	84,129	1,998,960	1,998,960	253,765	102,231	2,262,792	2,262,792		
				2,262,792	83,378	2,262,792	84,129	2,262,792	84,129	1,998,960	1,998,960	253,765	102,231	2,262,792	2,262,792		

\* WA Treasury Corporation

SHIRE OF EXMOUTH  
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13. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2018	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2019
		\$	\$	\$	\$
Rubbish Truck - Loan 81	20 Jun 17	410,000	0	0	410,000
* WA Treasury Corporation		410,000	0	0	410,000

	2019	2018
	\$	\$
<b>(d) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	400,000	400,000
Credit card limit	24,000	24,000
Credit card balance at balance date	(12,380)	(999)
<b>Total amount of credit unused</b>	<b>411,620</b>	<b>423,001</b>
<b>Loan facilities</b>		
Loan facilities - current	223,637	263,832
Loan facilities - non-current	1,775,323	1,998,960
<b>Total facilities in use at balance date</b>	<b>1,998,960</b>	<b>2,262,792</b>
<b>Unused loan facilities at balance date</b>	<b>410,000</b>	<b>410,000</b>

**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.

**Risk**

Information regarding exposure to risk can be found at Note 25.



#### 14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Long Service Leave	Provision for Gratuity	Total
	\$	\$	\$	\$
<b>Opening balance at 1 July 2018</b>				
Current provisions	476,498	228,844	74,440	779,782
Non-current provisions	0	139,822	0	139,822
	<u>476,498</u>	<u>368,666</u>	<u>74,440</u>	<u>919,604</u>
Additional provision	19,586	123,739	(14,245)	143,325
<b>Balance at 30 June 2019</b>	<u>496,084</u>	<u>492,405</u>	<u>60,195</u>	<u>1,062,929</u>
<b>Comprises</b>				
Current	496,084	402,627	60,195	958,906
Non-current	0	89,778	0	89,778
	<u>496,084</u>	<u>492,405</u>	<u>60,195</u>	<u>1,048,684</u>
	<u>2019</u>	<u>2018</u>		
<b>Amounts are expected to be settled on the following basis:</b>	\$	\$		
Less than 12 months after the reporting date	850,278	705,342		
More than 12 months from reporting date	198,406	214,262		
	<u>1,048,684</u>	<u>919,604</u>		

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

#### 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.

## 15. 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:

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	12,182,541	8,233,253	9,126,509

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

Net result	2,913,630	1,392,876	30,829
Non-cash flows in Net result:			
Depreciation	4,802,226	3,244,304	5,961,266
(Profit)/loss on sale of asset	28,686	173,040	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(123,403)	(489,253)	(158,455)
(Increase)/decrease in other assets	20,422		10,551
(Increase)/decrease in inventories	133,713	(4,327)	(359,788)
Increase/(decrease) in payables	(548,944)	23,699	(70,697)
Increase/(decrease) in provisions	129,080	(24,380)	0
Grants contributions for the development of assets	(4,404,648)	(4,141,718)	(2,664,794)
Net cash from operating activities	2,950,762	174,241	2,748,913

**16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<u>2019</u>	<u>2018</u>
	\$	\$
Governance	238,020	252,470
General purpose funding	407,122	463,001
Law, order, public safety	1,245,677	1,112,259
Health	6,820	2,276
Education and welfare	1,655,105	1,697,616
Housing	6,626,274	6,717,314
Community amenities	2,514,103	2,375,322
Recreation and culture	46,137,800	46,953,639
Transport	51,666,510	51,247,423
Economic services	1,932,467	2,025,551
Other property and services	22,100,034	19,460,879
Unallocated	7,751	0
	<u>134,537,683</u>	<u>132,307,750</u>

**17 CONTINGENT LIABILITIES**

The Shire is not aware of any Contingent Liabilities as at 30 June 2019.



## 18. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

	2019	2018
	\$	\$
	404,046	189,325
	<u>404,046</u>	<u>189,325</u>

Payable:

- not later than one year

404,046	0
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The capital expenditure project outstanding at the end of the current reporting period represents the purchase of a new water truck, Learmonth building upgrades, beach access improvements, Yardie Creek roadworks, footpath improvements works and fuel mitigation works at Learmonth airport.

### (b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year

- later than one year but not later than five years

	2019	2018
	\$	\$
	225,064	187,164
	409,357	337,665
	<u>634,421</u>	<u>524,829</u>

## 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.

## 19. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	63,703	63,669	75,806
President's allowance	21,955	21,955	8,876
Deputy President's allowance	5,489	5,489	2,186
Travelling expenses	13,631	17,320	13,995
Telecommunications allowance	3,744	3,900	3,151
	<u>108,522</u>	<u>112,333</u>	<u>104,014</u>

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	666,883	500,645
Post-employment benefits	103,861	86,923
Other long-term benefits	10,804	16,317
Termination benefits	0	87,022
	<u>781,548</u>	<u>690,907</u>

#### *Short-term employee benefits*

These amounts include all salary, 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 (Note: may or may not be applicable in any given year).

**19. RELATED PARTY TRANSACTIONS (Continued)**

**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.

The following transactions occurred with related parties:	2019 Actual \$	2018 Actual \$
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**Amounts payable to related parties:**

Trade and other payables	14,788	19,499
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**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.

*ii. Other Related Parties*

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

*iii. Entities subject to significant influence by the Shire*

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



## 20. MAJOR LAND TRANSACTIONS

### (a) Details

A Feasibility Study was undertaken during 2013/14 to ascertain if land proposed for a possible sub-division in Heron Way Exmouth would be viable business activity for Council.

Based on the findings of the study, Council initiated acquisition of the land during 2014/15 for special rural residential sub-division comprising of 11 Lots of varying sizes, with the first sale of this sub-division was received in 2015/16. As at 30 June 2019, 8 lots remain unsold. No further development costs are anticipated to be spent on this project, which was funded from municipal funds.

<b>(b) Current year transactions</b>	<b>2019 Actual</b>	<b>2019 Budget</b>	<b>2018 Actual</b>
	\$	\$	\$
<b>Other revenue</b>			
- Sale proceeds	227,273	0	0
<b>Other expenditure</b>			
- Cost of goods sold	(160,696)	0	0
	<u>66,577</u>	<u>0</u>	<u>0</u>

The above operating revenue for the proceeds of land held for resale is reflected in other revenue and operating expenditure for the cost of the disposed land held for resale is reflected in other expenditure.

### (c) Expected future cash flows

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cash inflows</b>					
- Sale proceeds	1,818,184	0	0	0	1,818,184
	<u>1,818,184</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,818,184</u>
<b>Net cash flows</b>	<u>1,818,184</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,818,184</u>

### (d) Assets and liabilities

#### Land held for resale included within Note 6

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Current inventory</b>		
Land held for resale - cost		
Cost of acquisition	1,285,567	1,446,263
	<u>1,285,567</u>	<u>1,446,263</u>

## 21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Learmonth Airport is the general aviation and regular 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 legislations and regulations.

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating Revenue</b>			
Fees & Charges	5,193,651	5,058,520	5,143,912
Grants, Subsidies & Contributions	0	57,500	0
Other Revenue	7,030	0	0
<b>Total</b>	<b>5,200,681</b>	<b>5,116,020</b>	<b>5,143,912</b>
<b>Operating Expenditure</b>			
Employee Costs	(1,450,468)	(2,144,426)	(1,717,397)
Materials & Contracts	(931,941)	(300,000)	(447,138)
Utilities	(103,433)	(70,500)	(87,415)
Insurance	(56,851)	(59,115)	(56,662)
Other Expenditure	(17,068)	(256,500)	(250,604)
Loss on Asset Disposal	0	(19,955)	0
Depreciation	(351,875)	(484,863)	(630,339)
<b>Total</b>	<b>(2,911,636)</b>	<b>(3,335,359)</b>	<b>(3,189,555)</b>
<b>Operating Surplus/Deficit</b>	<b>2,289,045</b>	<b>1,780,661</b>	<b>1,954,357</b>
<b>Capital Expenditure</b>			
Land & Buildings	(26,854)	(55,000)	(13,500)
Furniture & Equipment	(8,993)	0	0
Infrastructure Other	0	(195,000)	0
Plant & Equipment	(14,249)	(45,000)	19,915
Transfer to & From Reserve	(71,159)	197,455	6,415
<b>Total Net Result</b>	<b>2,167,790</b>	<b>1,683,116</b>	<b>1,967,187</b>

SHIRE OF EXMOUTH  
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22. 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
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
<b>General purpose funding</b>							
Financial Assistance Grant	0	1,836,082	(1,836,082)	0	1,892,207	(1,892,207)	0
<b>Law, order, public safety</b>							
DEC - Bushfire Mitigation Fund	0	28,875	(28,875)	0	8,547	(8,547)	0
FESA - Bushfire & SES	9,625	11,496	(21,121)	0	7,706	(7,706)	0
DFES - Risk Assessment Funding				0	4,000	(4,000)	0
FESA - Bush Fire Brigade Shed				0	151,848	(151,848)	0
<b>Health</b>							
Dept of Planning	21,761		(21,761)	0			0
<b>Community amenities</b>							
DWER - Recycling Program				0	67,300		67,300
<b>Recreation and culture</b>							
RFR - Ningaloo Centre		1,820,000	(1,820,000)	0	1,000,000	(1,000,000)	0
GDC Public Art Strategy	18,387		(18,387)	0			0
Marine Breakwater Nav Aid	25,850		(25,850)	0			0
Youth Leadership Program	11,010		(11,010)	0			0
Youth Program (YAE)	1,112		(1,112)	0			0
BHP Youth Program	1,885		(1,885)	0			0
DSR - Community Pool Grant	32,195		(32,195)	0	13,640	(13,640)	0
BHP - 50th Anniversary Event	50,000		(50,000)	0			0
Quadrant - 50th Anniversary Event	50,000		(50,000)	0			0
Festival Australia - 50th Anniversary	36,800		(36,800)	0			0
Festival Australia - 50th Anniversary	0	50,000	(50,000)	0			0
GDC Master Trails Project		24,170	(13,100)	11,070	8,320	(19,390)	0
DLGC Club Development Scheme		20,000	(20,000)	0			0
GDC 50th Anniversary		135,000	(135,000)	0			0
CSRFF - Swimming Pool Grant		32,000	(32,000)	0			0
Exmouth Ammateur Swimming Club		18,182	(18,182)	0			0
GDC Swimming Pool Grant		105,886	(105,886)	0			0
Event Contributions		2,075	(2,075)	0	23,682	(23,682)	0
Ningaloo Centre Commonwealth				0	300,000	(300,000)	0
Recreational Boating - Tantabiddie				0	30,636	(30,636)	0
DSCI - Regional Every Club				0	15,000	(6,680)	8,320
BHP Sport & Rec Community Program				0	225,000		225,000
Sponsorships Various				0	6,636	(6,636)	0
DOT Bundegi Boat Ramp				0	116,985	(116,985)	0
<b>Transport</b>							
MRWA Direct Grant		55,980	(55,980)	0	95,419	(95,419)	0
Yardie Homestead		10,000	(10,000)	0	0	0	0
Commonwealth RTR Grant		387,354	(387,354)	0	192,018	(192,018)	0
MRWA Murat RRG		66,700	(66,700)	0	94,317	(94,317)	0
MRWA Yardie Creek		180,000	(180,000)	0	133,400	(133,400)	0
MRWA Ningaloo Access Road		12,600		12,600		(12,600)	0
MRWA Murat Road - SIF		42,072	(42,072)	0	1,743,490	(1,503,490)	240,000
DOT Contribution for Mortiss St				0	605,291	(605,291)	0
<b>Economic services</b>							
Landscape Services	13,217		(13,217)	0	0	0	0
Tourism WA Cruise Destination		5,000	(500)	4,500	0	(4,500)	0
DPIRD - Tourism Program				0	30,000		30,000
<b>Other property and services</b>							
Diesel Fuel Subsidy		16,330	(16,330)	0	21,507	(21,507)	0
<b>Total</b>	<b>271,842</b>	<b>4,859,802</b>	<b>(5,103,474)</b>	<b>28,170</b>	<b>6,786,949</b>	<b>(6,244,499)</b>	<b>570,620</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.



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23. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Total Revenue	Actual Total Revenue			
<b>Gross rental valuations</b>															
General	0.0722		1,165	29,946,749	2,161,785	(7,113)	(9,786)	2,144,886	2,162,155	5,000	2,167,155	2,120,512			
Marina Developed	0.0993		93	3,280,860	325,192	5,000	413	330,605	325,789	0	325,789	322,507			
Holiday Homes	0.1021		64	1,623,700	168,568	1,695	190	170,453	165,780	0	165,780	166,876			
Vacant Land	0.1217		228	3,227,450	390,590	6,785	829	398,204	392,781	0	392,781	389,754			
GRV Sub Total			1,550	38,078,759	3,046,135	6,367	(8,354)	3,044,148	3,046,505	5,000	3,051,505	2,999,649			
<b>Unimproved valuations</b>															
Mining	0.1568		12	300,515	47,121	3,763	(490)	50,394	47,121	1,000	48,121	46,892			
Rural	0.0748		7	580,880	45,541	(980)	(1,857)	42,704	45,541	0	45,541	42,388			
UV Sub Total			19	881,395	92,662	2,783	(2,347)	93,098	92,662	1,000	93,662	89,280			
Sub-Total			1,569	38,960,154	3,138,797	9,150	(10,701)	3,137,246	3,138,167	6,000	3,145,167	3,088,929			
<b>Minimum payment</b>															
<b>Gross rental valuations</b>															
General	910		66	527,130	61,880	0	0	61,880	60,060	0	60,060	61,200			
Marina Developed	910		1	0	910	0	0	910	910	0	910	1,800			
Holiday Homes	910		0	0	0	0	0	0	0	0	0	0			
Vacant Land	910		177	893,460	160,160	0	0	160,160	161,070	0	161,070	159,300			
GRV Sub Total			244	1,420,590	222,950	0	0	222,950	222,040	0	222,040	222,300			
<b>Unimproved valuations</b>															
Mining	500		18	23,912	9,000	0	0	9,000	9,000	0	9,000	3,692			
Rural	700		1	5,800	700	0	0	700	700	0	700	900			
UV Sub Total			19	29,712	9,700	0	0	9,700	9,700	0	9,700	4,592			
Sub-Total			263	1,450,302	232,650	0	0	232,650	231,740	0	231,740	226,892			
			1,832	40,410,456	3,371,447	9,150	(10,701)	3,368,896	3,370,907	6,000	3,376,907	3,315,821			
Discounts/concessions (refer Note 23(c))								(6,214)	(6,800)		(6,800)	(104,014)			
<b>Total amount raised from general rate</b>								3,363,682	3,370,107		3,370,107	3,211,807			
Specified Area Rate (refer Note 23(b))								52,542	47,293		47,293	46,814			
<b>Totals</b>								3,416,224	3,417,400		3,417,400	3,258,621			

**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.

SHIRE OF EXMOUTH  
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23. RATING INFORMATION (Continued)

(b) Specified Area Rate	Basis of Valuation	Rate in \$	2018/19 Rateable Value	2018/19 Interim Rate Revenue		2018/19 Back Rate Revenue		2018/19 Total Specified Area Revenue		2018/19 Budget Back Rate Revenue		2018/19 Budget Interim Rate Revenue		2018/19 Budget Total Revenue		2017/18 Total Actual Revenue	
				Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate
Marina Specified Area Rate		0.013	3,609,199	\$ 51,670	872	\$ 0	872	\$ 52,542	52,542	\$ 47,293	0	\$ 47,293	0	\$ 47,293	47,293	\$ 46,814	46,814
				\$ 51,670	872	0	872	\$ 52,542	52,542	\$ 47,293	0	\$ 47,293	0	\$ 47,293	47,293	\$ 46,814	46,814
<b>Specified Area Rate</b>	<b>Purpose of the rate</b>																
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 agreement with Transport, Landcorp and the Shire of Exmouth			\$ 51,670	51,670	\$ 0	0	\$ 51,670	51,670	\$ 47,293	0	\$ 47,293	0	\$ 47,293	47,293	\$ 46,814	46,814
				\$ 51,670	51,670	0	0	\$ 51,670	51,670	\$ 47,293	0	\$ 47,293	0	\$ 47,293	47,293	\$ 46,814	46,814

SHIRE OF EXMOUTH  
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23. RATING INFORMATION (Continued)

(c) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
GRV General - Residential Rates	Rates			0	0	27,200
GRV General - Special Rural Rates	Rates			0	0	12,356
GRV General - Residential Development Rates	Rates			0	0	0
GRV Vacant Land - Properties zoned industrial, light industrial, mixed use, tourist, town centre	Rates			0	0	9,670
GRV Vacant Land - Special Rural Rates	Rates			0	0	17,117
GRV Vacant Land - Residential development and are vacant land	Rates			0	0	3,290
GRV Vacant - residential and are vacant	Rates			0	0	1,855
GRV Vacant - Marina and vacant land	Rates			0	0	2,608
GRV Holiday Homes	Rates			0	0	19,526
GRV Holiday Homes - Marina homes zoned as holiday homes	Rates			0	0	944
UV Rural - operate under a pastoral lease	Rates			0	0	9,449
UV Rural (pastoral) properties	Rates			6,214	6,800	0
				6,214	6,800	104,015



SHIRE OF EXMOUTH  
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23 RATING INFORMATION (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
GRV General - Residential	Combined rates codes	To minimise any significant increases	Council in 2016/17 simplified the differential rating categories, rate in the dollar and minimum payment to provide fairness and equity by combining eleven differential ratecode into six . Council provided concessions to properties that capped a maximum increase for any individual property to 10%
GRV General - Special Rural			
GRV General - Residential Development			
GRV Vacant Land - Properties zoned industrial, light industrial, mixed use, tourist, town centre			
GRV Vacant Land - Special Rural			
GRV Vacant Land - Residential development and are vacant land			
GRV Vacant - residential and are vacant			
GRV Vacant - Marina and vacant land			
GRV Holiday Homes			
GRV Holiday Homes - Marina homes zoned as holiday homes			
UV Rural - operate under a pastoral lease	Properties identified as limited council services and high UV value	To minimise any significant increase after removal of prior years concession	In 2016/17 Council combined eleven differential ratecode to six
UV Rural (pastoral) properties			

**23. RATING INFORMATION (Continued)**

**(d) Interest Charges & Instalments**

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
<b>Option One</b>				
Single Full Payment	09 Mar 2018	0.00	0.00%	11.00%
<b>Option Two</b>				
First Instalment	09 Mar 2018	14.50	0.00%	11.00%
Second Instalment	15 Nov 2018	14.50	5.50%	11.00%
<b>Option Three</b>				
First Instalment	09 Mar 2018	0.00	0.00%	11.00%
Second Instalment	15 Nov 2018	14.50	5.50%	11.00%
Third Instalment	21 Jan 2019	14.50	5.50%	11.00%
Fourth Instalment	04 Jan 2019	14.50	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	47,480	40,000	51,907
Interest on instalment plan	17,081	17,924	12,470
Charges on instalment plan	15,950	18,824	15,092
Interest on deferred rates	0	0	703
	80,512	76,748	80,172

## 24. RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2018/19
	(30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
	\$	\$	\$

### (a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

#### Adjustments to operating activities

Less: Profit on asset disposals	10(a)	(10,717)	6,939	0
Movement in pensioner deferred rates		(1,963)	0	(1,685)
Movement in inventory (non-current)		160,696	0	0
Movement in employee benefit provisions		143,325	0	(66,458)
Movement in other provisions		(14,245)	0	(4,238)
Add: Loss on disposal of assets	10(a)	39,403	(179,979)	0
Add: Depreciation on assets	10(b)	4,802,226	3,244,304	5,961,266
<b>Non cash amounts excluded from operating activities</b>		<b>5,118,725</b>	<b>3,071,264</b>	<b>5,888,885</b>

### (b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

#### Adjustments to net current assets

Less: Reserves - restricted cash	3	(9,352,157)	(6,239,677)	(6,437,450)
Less: Community Loans		(23,000)	(4,000)	(59,000)
Less: Land held for resale		0	(1,446,263)	0
Less: Liabilities not expected to be cleared at end of year		0	(966,120)	0
Add: Borrowings	13(a)	223,637	263,832	263,832
Add: Provision for Current Leave Liabilities		958,906	0	779,782
<b>Total adjustments to net current assets</b>		<b>(8,192,614)</b>	<b>(8,392,228)</b>	<b>(5,452,836)</b>

#### Net current assets used in the Rate Setting Statement

Total current assets		14,097,348	10,386,213	10,944,315
Less: Total current liabilities		(2,188,115)	(1,993,348)	(2,598,130)
Less: Total adjustments to net current assets		(8,192,614)	(8,392,228)	(5,452,836)
<b>Net current assets used in the Rate Setting Statement</b>		<b>3,716,619</b>	<b>637</b>	<b>2,893,349</b>



## 25. FINANCIAL RISK MANAGEMENT

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

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

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

### (a) Interest rate risk

#### Cash and cash equivalents

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

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

	Weighted Average Interest Rate %	Carrying Amounts \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
<b>2019</b>					
Cash and cash equivalents	1.43%	12,182,541	12,182,541	0	0
<b>2018</b>					
Cash and cash equivalents	1.31%	9,126,509	9,126,509	0	0

#### Sensitivity

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

	2019 \$	2018 \$
Impact of a 1% movement in interest rates on profit and loss and equity*	121,653	91,265

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The 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 Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk

#### *Trade Receivables*

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The 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 applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	229,954	76,050	27,500	31,637	365,141
Loss allowance	0	0	0	0	0
<b>01 July 2018</b>					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	200,094	46,646	20,943	34,413	302,096
Loss allowance	0	0	0	0	0

**25. FINANCIAL RISK MANAGEMENT (Continued)**

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	0.10%	0.13%	0.33%	0.83%	
Gross carrying amount	1,103,434	131,420	80,862	114,504	1,430,220
Loss allowance	1,104	164	270	954	2,492
<b>01 July 2018</b>					
Sundry Receivables					
Expected credit loss	0.10%	0.12%	0.33%	0.83%	
Gross carrying amount	1,124,099	70,728	8,531	58,624	1,261,982
Loss allowance	1,124	88	28	489	1,729



## 25. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The 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 and disclosed in Note 13(d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	1,005,572	0	0	1,005,572	1,005,572
Borrowings	223,637	975,060	800,262	1,998,959	1,998,960
	<u>1,229,209</u>	<u>975,060</u>	<u>800,262</u>	<u>3,004,531</u>	<u>3,004,532</u>
<b>2018</b>					
Payables	1,554,516	0	0	1,554,516	1,554,516
Borrowings	347,960	1,104,323	977,486	2,429,769	2,262,792
	<u>1,902,476</u>	<u>1,104,323</u>	<u>977,486</u>	<u>3,984,285</u>	<u>3,817,308</u>

SHIRE OF EXMOUTH  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**26. TRUST FUNDS**

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

In previous years bonds and deposits were held as trust monies. They are now included in Restricted cash at Note 3 and shown as a current liability at Note 12.

	1 July 2018	Amounts Received	Amounts Paid	Reclassified to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Hall & Rec Centre Bonds	4,950	15,350	(11,950)	(8,350)	0
Olma Funding	2,423	0	(2,423)	0	0
Forum Travel Fund	2,990	0	(2,990)	0	0
NADC	11,335	0	(11,335)	0	0
Cyclone Baptist Fund	2,800	0	(2,800)	0	0
Council Nomination Fees	80	0	(80)	0	0
Sundries	8,544	120	(7,964)	(700)	0
Building/Planning Bonds	73,400	0	(73,400)	0	0
Youth Affairs	1,401	0	(1,401)	0	0
Exmouth Volunteer Fire & Rescue	50,000	828	0	0	50,828
Jurabi Coastal Park	59,400	0	(59,400)	0	0
Unclaimed Monies	7,637	0	(721)	(6,916)	0
Staff Housing Bonds	0	250	(250)	0	0
Key Bonds	800	500	(200)	(1,100)	0
Bond Deed Exmouth Marina Holdings	18,186	0	0	0	18,186
Cash in Lieu POS	169,420	209,468	0	0	378,888
Ingleton St Reserve 29086 (20A/152)	205,249	0	(205,249)	0	0
Donations to Other Organisations	135	0	0	(135)	0
BCITF Levy	312	13,344	(12,058)	0	1,598
BSL Levy	276	11,084	(8,959)	0	2,401
	619,338	250,944	(401,180)	(17,201)	451,901

**27 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

The Shire had not identified any events at time of reporting.

## 28. INITIAL APPLICATION OF AUSTRALIAN 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 associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

The effect of adopting AASB 9 as at 1 July 2018 was not material.

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

#### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.



## 29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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.

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

### (a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

The Shire is currently assessing the impact of adopting the new standard.

### (b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

The Shire is currently assessing the impact of adopting the new standard.

### (c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

The Shire is currently assessing the impact of adopting the new standard.

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

**SHIRE OF EXMOUTH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**30. 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 operational 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 original budget estimate for the relevant item of disclosure.

**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.



**SHIRE OF EXMOUTH**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**31. ACTIVITIES/PROGRAMS**

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

<b>PROGRAM NAME AND OBJECTIVES</b>	<b>ACTIVITIES</b>
<p><b>GOVERNANCE</b></p> <p>To provide a decision for efficient allocation of resources</p>	<p>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 members and ratepayers on matters which do not concern specific council services</p>
<p><b>GENERAL PURPOSE FUNDING</b></p> <p>To collect revenue to allow for the provision of services</p>	<p>The collection of rate revenue and the maintenance of valuation and rating records to support the collection process. General government grants and interest revenue.</p>
<p><b>LAW, ORDER, PUBLIC SAFETY</b></p> <p>To provide services to help ensure a safer and environmentally concious community.</p>	<p>The provision of bushfire control services, animal control and support for emergency services, as well as the maintenance and enforcement of local laws.</p>
<p><b>HEALTH</b></p> <p>To provide an operational framework for environmental and community health</p>	<p>Maternal and Infant health, preventative service and environmental health</p>
<p><b>EDUCATION AND WELFARE</b></p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Maintenance on playgroup, youth facilites and senior citizens buildings</p>
<p><b>HOUSING</b></p> <p>To provide housing for staff members</p>	<p>Administration and operation of residential housing for council staff</p>
<p><b>COMMUNITY AMENITIES</b></p> <p>To provide services required by the community</p>	<p>Maintenance of rubbish service to residents and maintenance of sanitary landfill sites, Town planning and regional development, maintenance of cemeteries and other community amenities.</p>
<p><b>RECREATION AND CULTURE</b></p> <p>To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community</p>	<p>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.</p>
<p><b>TRANSPORT</b></p> <p>To provide safe, effective and efficient transport services to the community.</p>	<p>Construction and maintenance of roads, streets, footpaths, depot, cycleways, parking facilities and traffic control.. Cleanning of streets and maintenance of street trees, street lighting etc. Administration and airport, heliport and aerodrome.</p>
<p><b>ECONOMIC SERVICES</b></p> <p>The promotion of the district to increase economic activities and the provision of building control within the shire.</p>	<p>Tourism area promotion and building control</p>
<p><b>OTHER PROPERTY AND SERVICES</b></p> <p>To monitor and control Council's overheads operating accounts</p>	<p>The provision of private works to the public, the maintenance of cost pools for plant operating, public works overheads and administration costs.</p>



32. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	2.4980	1.9240	1.0700
Asset consumption ratio	0.7060	0.7100	0.6460
Asset renewal funding ratio	0.3020	0.7700	1.0500
Asset sustainability ratio	0.7660	0.1930	0.1290
Debt service cover ratio	9.7770	0.9778	15.1430
Operating surplus ratio	(0.1290)	(0.2400)	(0.2170)
Own source revenue coverage ratio	0.7460	0.6900	0.6410

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



## 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 2019, 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 2019 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 annual 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 annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, 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 an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual 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 annual 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 annual 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 annual 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 annual 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 annual financial report, including the disclosures, and whether the annual 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 (DLGSC) standard for the past 3 years.
  - b. The Operating Surplus Ratio has been below the DLGSC Standard for the past three years.

The financial ratios are reported in Note 32 of the financial report

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) 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 ratios for 2017 in Note 32 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

**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 2019 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 annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
*21* November 2019



# SHIRE OF EXMOUTH

## Risk Management Framework

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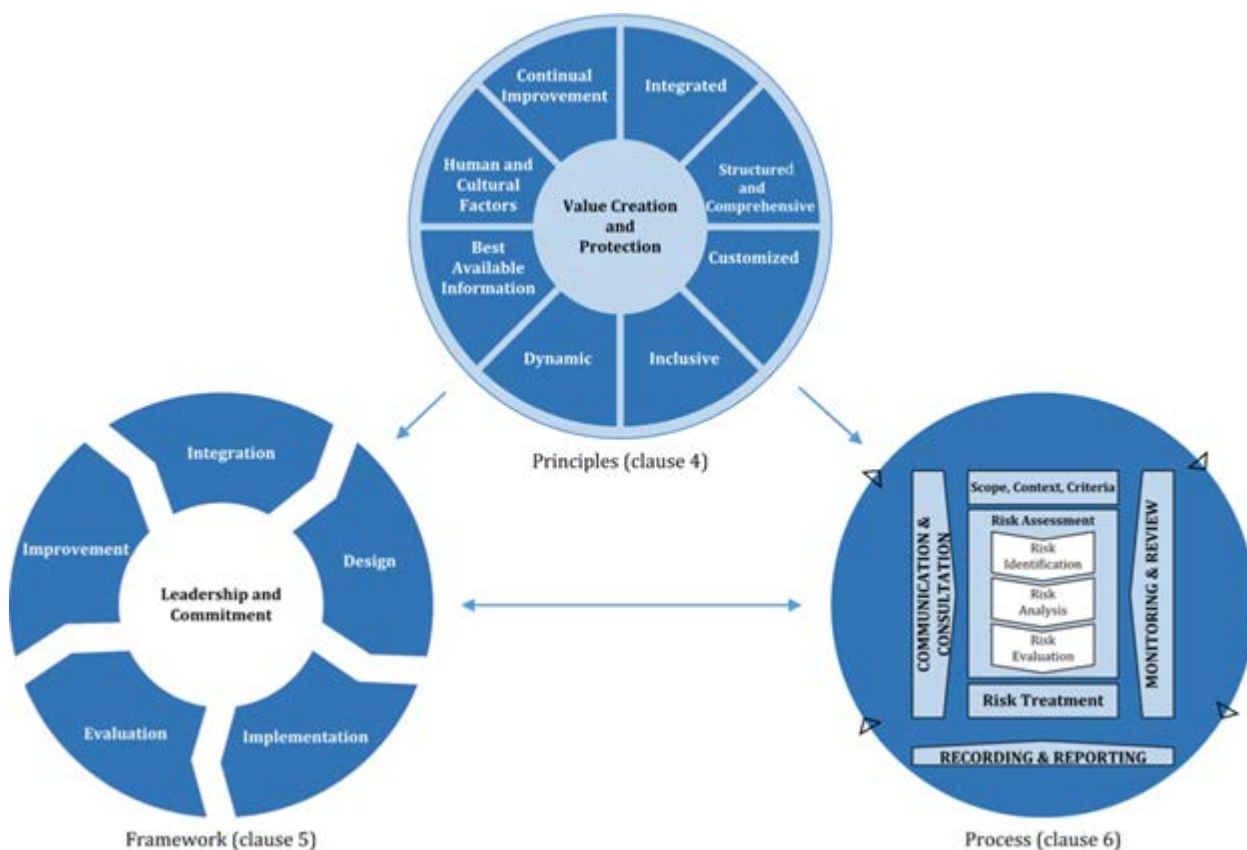
# Introduction

The Shire of Exmouth's (Shire) Risk Management Policy in conjunction with the components of this document encompasses the Shires Risk Management Framework. It sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on AS/NZS ISO 31000:2018 Risk management - Guidelines.

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives is understood.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire.



**Figure 1: Relationship between the risk management principles, framework and process (Source: ISO 31000:2018)**

# Governance

Appropriate governance of risk management within the Shire provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective Governance Structure to support the risk framework.

## Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every three years.

## Operating Model

The Shire has adopted a “Three Lines of Defence” model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate & Operational Plans.

### First Line of Defence

All operational areas of the Shire are considered ‘1<sup>st</sup> Line’. They are responsible for ensuring that risks (within their scope of operations) are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include;

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the decisioning of risk matters.
- Prepare risk acceptance proposals where necessary, based on level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

### Second Line of Defence

The Executive Manager, Corporate Services acts as the primary ‘2<sup>nd</sup> Line’. This position owns and manages the framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1<sup>st</sup> line process.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1<sup>st</sup> & 3<sup>rd</sup> lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1<sup>st</sup> Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.
- Co-ordinating the Shire’s risk reporting for the CEO & Senior Management Team and the Audit Committee.

### Third Line of Defence

External Audit is the third line of defence, providing independent assurance to the Council, Audit Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1<sup>st</sup> & 2<sup>nd</sup> Line).

External Audit – Appointed by the Council on the recommendation of the Audit Committee to report independently to the President and CEO on the annual financial statements only.

### Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.

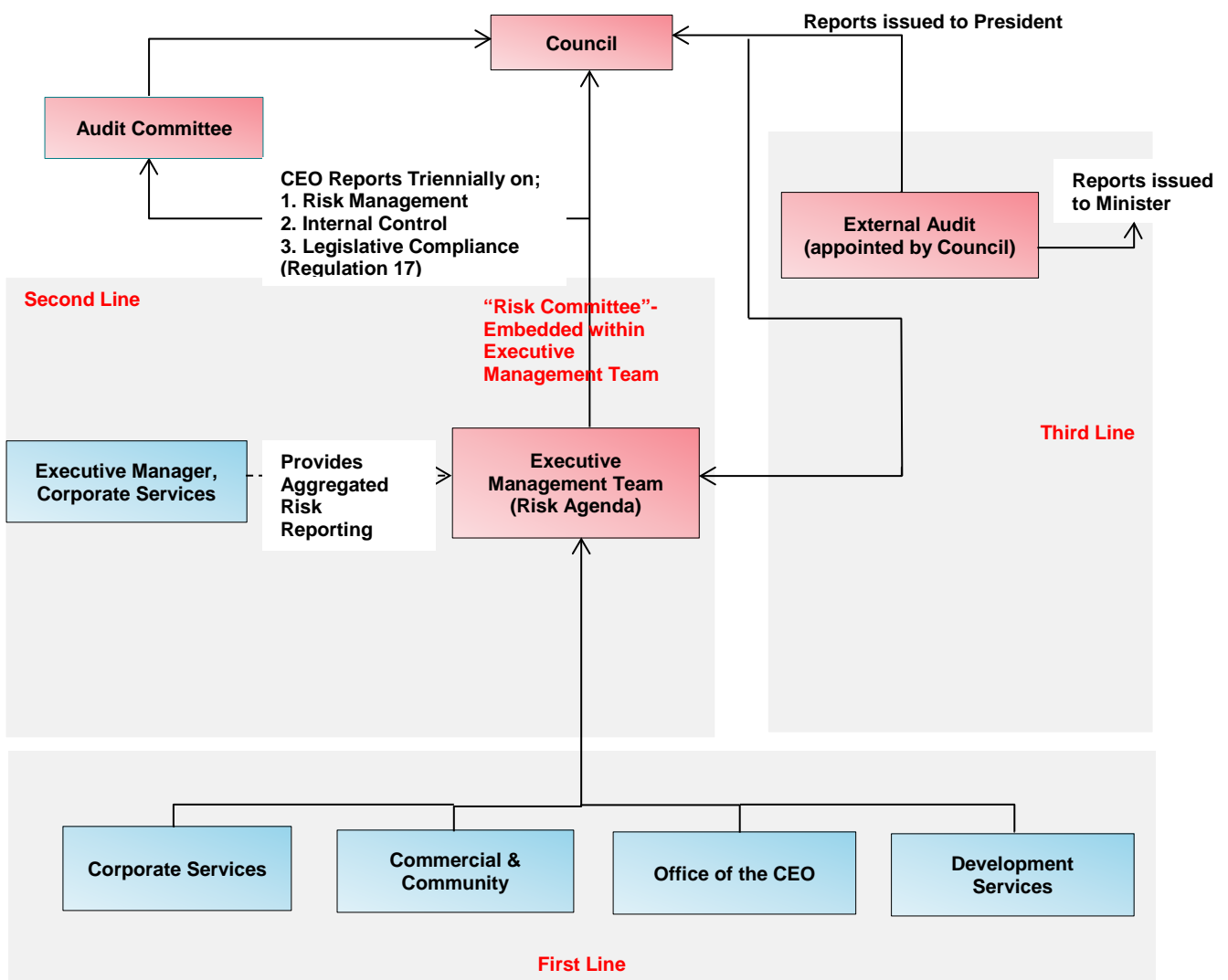


Figure 2: Operating Model



## Roles & Responsibilities

### Council

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit Committee in terms of the Local Government Act.

### Audit Committee

- Regular review of the appropriate and effectiveness of the Framework.
- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective and autonomous in deliberations.

### CEO / Management Team

- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from 'risk matters'.
- Own and manage the Risk Profiles at Shire Level.

### Executive Manager, Corporate Services

- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for Risk matters.

### Work Areas

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Management Meetings, by incorporating the following agenda items;
  - New or emerging risks.
  - Review existing risks.
  - Control adequacy.
  - Outstanding issues and actions.

# Document Structure (Framework)

The following diagram depicts the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.

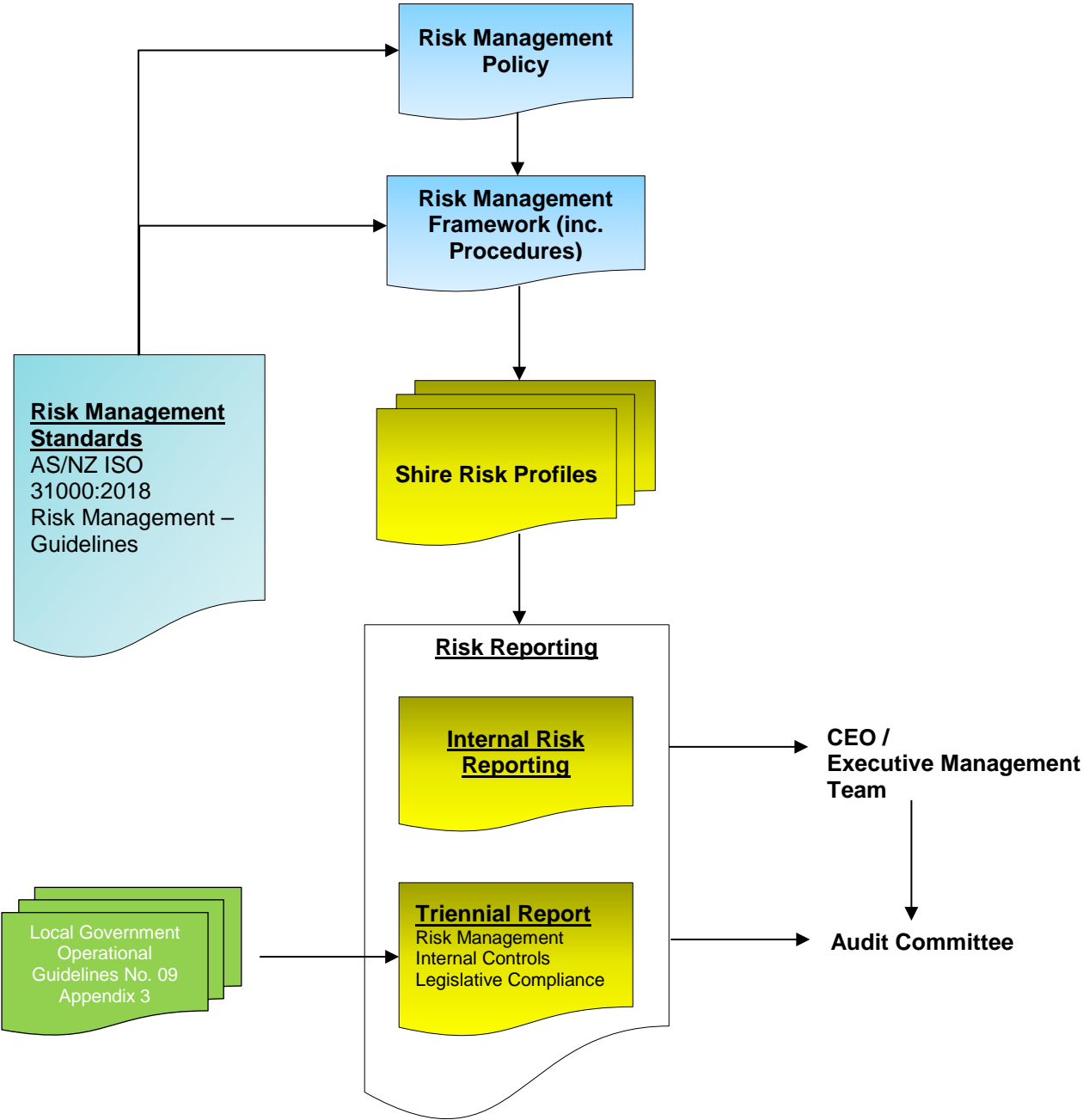


Figure 3: Document Structure

# Risk Management Procedures

All Work Areas of the Shire are required to assess and manage the risk profiles on an ongoing basis.

Each Manager, in conjunction with the Executive Manager, Corporate Services are accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on at least an 18-month rotation, unless there has been a material restructure or change in the risk and control environment. It is expected that at least one operational risk profile will be reviewed on a monthly basis.
- Maintained in the standard format.

This process is supported by the use of key data inputs, workshops and ongoing business engagement.

The risk management process is standardised across all areas of the Shire. The following diagram outlines that process with the following commentary providing broad descriptions of each step.

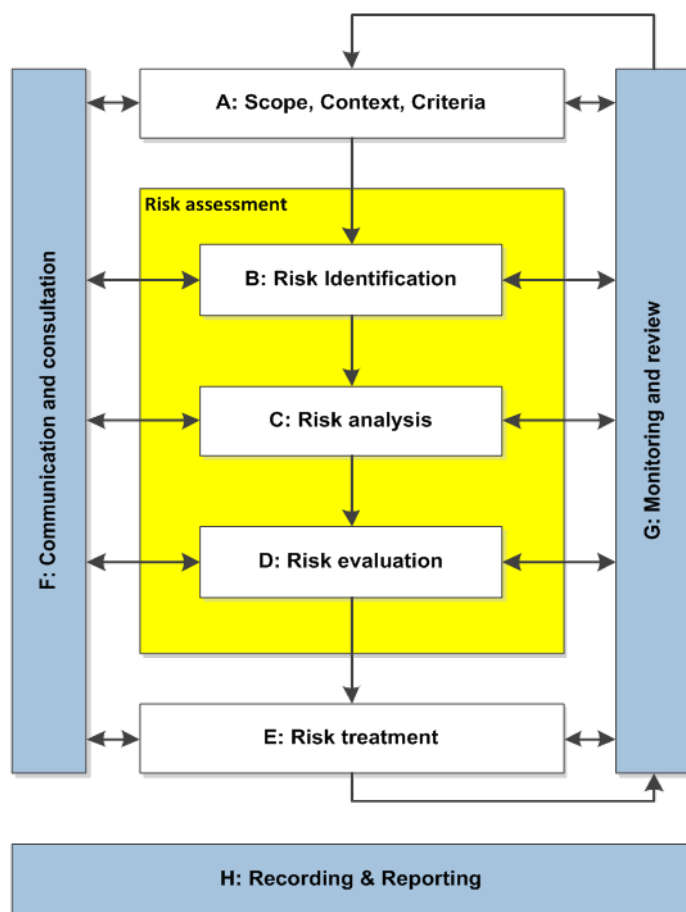


Figure 4: Risk Management Process ISO 31000:2018

## A: Scope, Context, Criteria

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:



## Organisational Criteria

This includes the Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision-making processes.

## Scope and Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process. Risk sources can be internal or external.

For specific risk assessment purposes, the Shire has three levels of risk assessment context:

### Strategic Context

These risks are associated with achieving the organisation's long-term objectives. Inputs to establishing the strategic risk assessment context may include;

- Organisations Vision / Mission
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Strategies / Objectives / Goals (Integrated Planning & Reporting)

### Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its key activities i.e. what is trying to be achieved. In addition, existing Risk Themes are to be utilised where possible to assist in the identification of related risks.

These Risk Themes are expected to change over time however to ensure consistency amendments must be approved by the Executive Management Team.

### Project Context

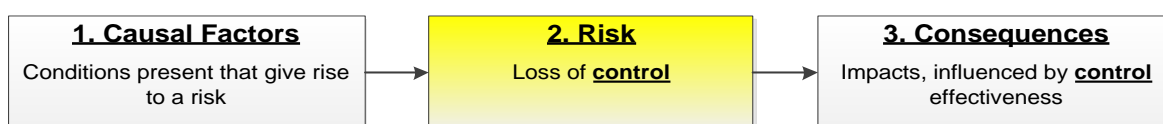
Project Risk has two main components:

- Direct refers to the risks that may arise as a result of project activity (i.e. impacting on process, resources or IT systems) which may prevent the Shire from meeting its objectives.
- Indirect refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

## B: Risk Identification

Once the context has been determined, the next step is to identify risks. This is the process of finding, recognising and describing risks. Risks are described as the point along an event sequence where control has been lost. An event sequence is shown below:



**Figure 5: Event (risk) sequence**

Using the specific risk assessment context as the foundation and in conjunction with relevant stakeholders, raise the below questions, capture and review the information within each defined risk theme / profile. The objective is to identify potential risks that could stop the Shire from achieving its goals.

These questions / considerations are a guide only as unidentified risks can cause major losses through missed opportunities or adverse events occurring.

'Brainstorming' will always produce a broad range of ideas and all things should be considered as potential risks. Relevant stakeholders are considered to be the subject experts when considering potential risks to the objectives of the work environment and should be included in all risk assessments being undertaken. Key risks to the organisation/unit can then be identified and captured within the risk profiles.

- What can go wrong? / What are areas of uncertainty? (**Risk Description**)
- How may this risk eventuate? (**Potential Causes**)
- What are the current measurable activities that mitigate this risk from eventuating? (**Controls**)
- What are the potential consequential outcomes of the risk eventuating? (**Consequences**)

This step is also where opportunities for enhancement or gain across the organisation can be found. Risks can also be identified through other business operations including policy and procedure development, external audits, customer complaints, incidents and systems analysis.

**Risk Description** – describe what the risk is and specifically where control may be lost. They can also be described as an event. They are not to be confused with outcomes following an event, or the consequences of an event.

**Potential Causes** – are the conditions that may present or the failures that may lead to the event, or point in time when control is lost (risk).

**Controls** – are measures that modify risk. At this point in the process only existing controls should be considered. They must meet the following three tests to be considered:

1. Is it an object, technological system and / or human action?
2. Does it, by itself, arrest or mitigate an unwanted sequence?
3. Is the required performance specifiable, measurable and auditable?

**Consequences** – need to be impacts to the Shire. These can be health of staff, visitors or contractors; financial; interruption to services provided; non-compliance; damage to reputation or other assets or the environment. There is no need to determine the level of impact at this stage.

## C: Risk Analysis

To analyse identified risks the Shire's Risk Assessment and Acceptance Criteria (Appendix A) is applied.

### Step 1 - Consider the effectiveness of the identified key controls

Controls need to be considered from three perspectives:

1. The design effectiveness of each individual key control.
2. The operating effectiveness of each individual key control.
3. The overall or combined effectiveness of all identified key controls.

#### Design Effectiveness

This process reviews the 'design' of the controls to understand their potential for mitigating the risk without any 'operating' influences. Controls that have inadequate designs will never be effective, no matter if it is performed perfectly every time.

There are four components to be considered in reviewing existing controls or developing new ones:

1. Completeness – The ability to ensure the process is completed once. How will the control ensure that the process is not lost or forgotten, or potentially completed multiple times?
2. Accuracy – The ability to ensure the process is completed accurately, that no errors are made or components of the process missed.

3. Timeliness – The ability to ensure that the process is completed within statutory timeframes or internal service level requirements.
4. Theft / Fraud – The ability to protect against internal misconduct or external theft / fraud based activities.

It is very difficult to have a single control that meets all the above requirements when viewed against a Risk Theme. It is imperative that all controls are considered so that the above components can be met across a number of controls.

### Operating Effectiveness

This process reviews how well the control design is being applied. Similar to above, the best designed control will have no impact if it is not applied correctly.

As this generally relates to the human element of control application there are four main approaches that can be employed by management or the risk function to assist in determining the operating effectiveness and / or performance management.

- Re-perform – this is only applicable for those short timeframe processes where they can be re-performed. The objective is to re-perform the same task, following the design to ensure that the same outcome is achieved.
- Inspect – review the outcome of the task / process to provide assurance that the desired outcome was achieved.
- Observe – physically watch the task / process being performed.
- Inquire – through discussions with individuals / groups determine the relevant understanding of the process and how all components are required to mitigate any associated risk.

### Overall Effectiveness

This is the value of the combined controls in mitigating the risk. All factors as detailed above are to be taken into account so that a considered qualitative value can be applied to the 'control' component of risk analysis.

The criterion for applying a value to the overall control is the same as for individual controls and can be found in Appendix A under 'Existing Control Ratings'.

## **Step 2 – Determine the Residual Risk rating**

There are three components to this step:

1. Determine relevant consequence categories and rate the 'probable worst consequence' if the risk eventuated with existing controls in place. This is not the worst-case scenario but rather a qualitative judgement of the worst scenario that is probable or foreseeable. (Consequence)
2. Determine how likely it is that the 'probable worst consequence' will eventuate with existing controls in place. (Likelihood)
3. Using the Shire's Risk Matrix, combine the measures of consequence and likelihood to determine the risk rating. (Risk Matrix)

## **D: Risk Evaluation**

Risk evaluation takes the residual risk rating and applies it to the Shires risk acceptance criteria (Appendix A) to determine whether the risk is within acceptable levels to the Shire.

The outcome of this evaluation will determine whether the risk is low; moderate; high or extreme.

It will also determine through the use of the Risk Acceptance Criteria, what (if any) high level actions or treatments need to be implemented.

Note: Individual Risks or Issues may need to be escalated due to its urgency, level of risk or systemic nature.



## E: Risk Treatment

There are generally two requirements following the evaluation of risks.

1. In all cases, regardless of the residual risk rating; controls that are rated 'Inadequate' must have a treatment plan (action) to improve the control effectiveness to at least 'Adequate'.
2. If the residual risk rating is high or extreme, treatment plans must be implemented to either:
  - a. Reduce the consequence of the risk materialising.
  - b. Reduce the likelihood of occurrence.

(Note: these should have the desired effect of reducing the risk rating to at least moderate)

- c. Improve the effectiveness of the overall controls to 'Effective' and obtain delegated approval to accept the risk as per the Risk Acceptance Criteria.

Once a treatment has been fully implemented, the Manager, Corporate Services is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

## F: Communication & Consultation

Effective communication and consultation are essential to ensure that those responsible for managing risk, and those with a vested interest, understand the basis on which decisions are made and why particular treatment / action options are selected or the reasons to accept risks have changed.

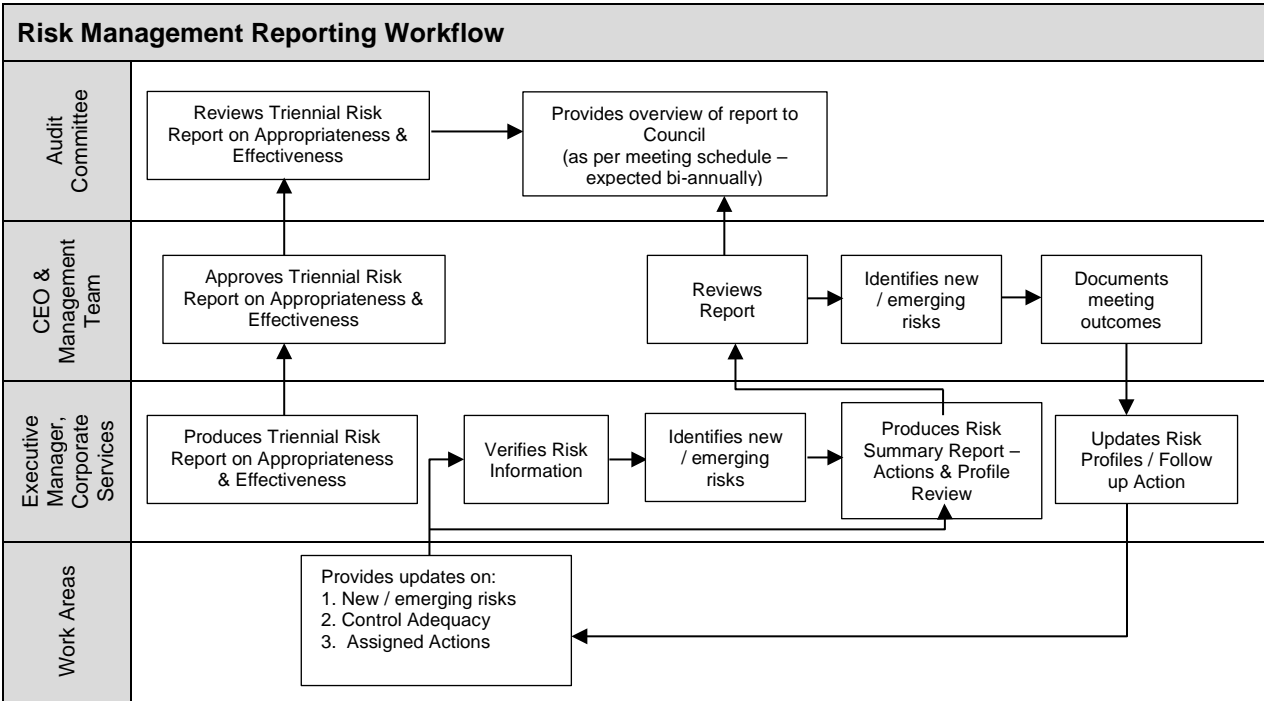
As risk is defined as the effect of uncertainty on objectives, consulting with relevant stakeholders assists in the reduction of components of uncertainty. Communicating these risks and the information surrounding the event sequence ensures decisions are based on the best available knowledge.

## G: Monitoring & Review

It is essential to monitor and review the management of risks as changing circumstances may result in some risks increasing or decreasing in significance. By regularly reviewing the effectiveness and efficiency of controls and the appropriateness of treatment / action options selected, we can determine if the organisations resources are being put to the best use possible. During the quarterly reporting process, management are required to review any risks within their area and follow up on controls and treatments / action that are mitigating those risks. Monitoring and the reviewing of risks, controls and treatments also applies to any actions / treatments to come out of an audit. The audit report will provide recommendations that effectively are treatments for controls and risks that have been tested during an internal review.

## H: Recording & Reporting

The following diagram provides a high-level view of the ongoing reporting process for Risk Management.



Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the Executive Manager, Corporate Services.
- Work through assigned actions and provide relevant updates to the Executive Manager, Corporate Services.
- Risks / Issues reported to the CEO & Executive Management Team are reflective of the current risk and control environment.

The Executive Manager, Corporate Services is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on an 18-month rotation or when there has been a material restructure, change in risk ownership or change in the external environment. This is expected to be a monthly review of action completion and a review of one risk profile.
- Bi-annual Risk Reporting for the Audit Committee (Dashboard Report) – Contains an overview of the Strategic Risk Summary for the Shire.
- Annual Compliance Audit Return completion and lodgement.

# Annual Control Assurance Plan

The annual assurance plan is a monitoring schedule prepared by the Executive Management Team that sets out the control assurance activities to be conducted over the next 12 months. This plan needs to consider the following components.

- Coverage of all risk classes (Strategic, Operational, Project)
- Existing control adequacy ratings across the Shire's Risk Profiles.
- Consider control coverage across a range of risk themes (where commonality exists).
- Building profiles around material controls to assist in design and operating effectiveness reviews.
- Consideration to significant incidents.
- Nature of operations
- Additional or existing 2<sup>nd</sup> line assurance information / reviews (eg. HR, Financial Services, IT)
- Frequency of monitoring / checks being performed
- Timetable for assurance activities
- Reporting requirements

Whilst this document and subsequent actions are owned by the Executive Manager Corporate Services, input and consultation will be sought from individual Work Areas.

# Risk Acceptance

Day to day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk.
- An assessment of the risk (eg. Impact consequence, materiality, likelihood, working assumptions etc)
- Details of any mitigating action plans or treatment options in place
- An estimate of the expected remediation date.

A lack of budget / funding to remediate a material risk outside appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (ie. Management Team)



## Appendix A – Risk Assessment and Acceptance Criteria

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment
<b>Insignificant (1)</b>	Nil or negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact / profile. No or few complaints.	Inconsequential or no damage.	Contained, reversible impact managed by on site response
<b>Minor (2)</b>	First aid injuries. No lost work time.	\$1,000 - \$10,000	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact / news item. Few Complaints.	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response
<b>Moderate (3)</b>	Medical type injuries. Lost Time Injury < 1 week.	\$10,001 - \$100,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact. Widespread local complaints.	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies
<b>Major (4)</b>	Medical type injuries. Lost Time Injury > 1 week.	\$100,001 - \$1,000,000	Prolonged interruption of services – additional resources; performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, & third-party actions. Regional media coverage.	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies
<b>Catastrophic (5)</b>	Fatality, permanent disability	More than \$1,000,000	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, & third-party actions. State &/or National media coverage.	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact

Measures of Likelihood			
Rating	Level	Description	Frequency
Almost Certain	5	The event is expected to occur in most circumstances.	More than once per year
Likely	4	The event will probably occur in most circumstances.	At least once per year.
Possible	3	The event should occur at some time.	At least once in 3 years.
Unlikely	2	The event could occur at some time.	At least once in 10 years
Rare	1	The event may only occur in exceptional circumstances.	Less than once in 15 years.

Risk Matrix					
Consequence Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Risk Acceptance Criteria			
Risk Rank	Description	Criteria	Responsibility
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operational Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Operational Manager
HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Exec Managers/ CEO
EXTREME	Unacceptable	Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO / Council

Existing Controls Ratings			
Rating	Foreseeable	Description	
Effective	There is <u>little</u> scope for improvement.	<b>Documentation</b>	Processes (Controls) operating as intended and aligned to Policies / Procedures.
		<b>Operating Effectiveness</b>	Subject to ongoing monitoring.
		<b>Design Effectiveness</b>	Reviewed and tested regularly.
Adequate	There is <u>some</u> scope for improvement.	<b>Documentation</b>	Processes (Controls) generally operating as intended, however inadequacies exist.
		<b>Operating Effectiveness</b>	Nil or limited monitoring.
		<b>Design Effectiveness</b>	Reviewed and tested, but not regularly.
Inadequate	There is a <u>need</u> for improvement or action.	<b>Documentation</b>	Processes (Controls) not operating as intended.
		<b>Operating Effectiveness</b>	Processes (Controls) do not exist, or are not being complied with.
		<b>Design Effectiveness</b>	Have not been reviewed or tested for some time