



Attachments

Audit Committee Meeting
12 December 2023

SHIRE OF EXMOUTH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Statement of Financial Activity	7
Index of Notes to the Financial Report	8
Notes to Financial Report	9
Independent Auditor's Report	40

The Shire of Exmouth conducts the operations of a local government with the following community vision:

A globally recognised community of guardians for our unique environment and culture as we pursue innovations for sustainable growth.

Principal place of business:
2 Truscott Crescent
Exmouth WA 6707

**SHIRE OF EXMOUTH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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

STATEMENT BY CEO

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

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

Signed on the 5th day of December 2023



Chief Executive Officer

Benjamin Lewis

Name of Chief Executive Officer



**SHIRE OF EXMOUTH
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Rates	2(a),21	3,983,885	3,876,000	3,681,391
Grants, subsidies and contributions	2(a)	4,983,254	2,446,000	4,512,738
Fees and charges	2(a)	9,738,305	8,330,000	7,839,460
Interest revenue	2(a)	326,081	140,000	60,869
Other revenue	2(a)	405,438	451,000	314,931
		19,436,963	15,243,000	16,409,389
Expenses				
Employee costs	2(b)	(7,152,860)	(7,385,000)	(7,042,300)
Materials and contracts		(5,709,561)	(4,338,000)	(4,131,757)
Utility charges		(850,579)	(859,000)	(849,884)
Depreciation		(3,687,868)	(3,675,000)	(3,672,091)
Finance costs	2(b)	(123,804)	(112,000)	(77,168)
Insurance		(608,637)	(579,000)	(527,125)
Other expenditure	2(b)	(250,376)	(476,000)	(709,487)
		(18,383,685)	(17,424,000)	(17,009,812)
		1,053,278	(2,181,000)	(600,423)
Capital grants, subsidies and contributions	2(a)	4,242,938	2,717,000	2,903,712
Profit on asset disposals		3,600	0	1,862
Loss on asset disposals		(32,000)	0	(126,589)
Fair value adjustments to financial assets at fair value through profit or loss	4(a)	5,528	0	5,995
		4,220,066	2,717,000	2,784,980
Net result for the period		5,273,344	536,000	2,184,557
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	15	1,491,410	0	31,603,493
Total other comprehensive income for the period	15	1,491,410	0	31,603,493
Total comprehensive income for the period		6,764,754	536,000	33,788,050

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



**SHIRE OF EXMOUTH
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	NOTE	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	3	16,192,455	15,287,959
Trade and other receivables	5	3,257,776	2,975,253
Inventories	6	213,637	168,185
TOTAL CURRENT ASSETS		19,663,868	18,431,397
NON-CURRENT ASSETS			
Trade and other receivables	5	148,965	102,934
Other financial assets	4(a)	122,234	116,706
Property, plant and equipment	7	105,908,651	100,058,781
Infrastructure	8	48,308,553	52,039,938
Right-of-use assets	10(a)	57,375	5,837
TOTAL NON-CURRENT ASSETS		154,545,778	152,324,196
TOTAL ASSETS		174,209,646	170,755,593
CURRENT LIABILITIES			
Trade and other payables	11	1,484,254	4,492,472
Other liabilities	12	300,000	354,092
Lease liabilities	10(b)	4,698	6,122
Borrowings	13	366,560	354,034
Employee related provisions	14	749,513	778,391
TOTAL CURRENT LIABILITIES		2,905,025	5,985,111
NON-CURRENT LIABILITIES			
Lease liabilities	10(b)	53,147	0
Borrowings	13	2,732,361	3,098,921
Employee related provisions	14	247,497	164,699
TOTAL NON-CURRENT LIABILITIES		3,033,005	3,263,620
TOTAL LIABILITIES		5,938,030	9,248,731
NET ASSETS		168,271,616	161,506,862
EQUITY			
Retained surplus		69,788,399	66,259,268
Reserve accounts	23	13,023,572	11,279,359
Revaluation surplus	15	85,459,645	83,968,235
TOTAL EQUITY		168,271,616	161,506,862

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



**SHIRE OF EXMOUTH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		64,735,398	10,618,672	52,364,742	127,718,812
Comprehensive income for the period					
Net result for the period		2,184,557	0	0	2,184,557
Other comprehensive income for the period	15	0	0	31,603,493	31,603,493
Total comprehensive income for the period		2,184,557	0	31,603,493	33,788,050
Transfers from reserve accounts	23	1,961,817	(1,961,817)	0	0
Transfers to reserve accounts	23	(2,622,504)	2,622,504	0	0
Balance as at 30 June 2022		66,259,268	11,279,359	83,968,235	161,506,862
Comprehensive income for the period					
Net result for the period		5,273,344	0	0	5,273,344
Other comprehensive income for the period	15	0	0	1,491,410	1,491,410
Total comprehensive income for the period		5,273,344	0	1,491,410	6,764,754
Transfers from reserve accounts	23	961,928	(961,928)	0	0
Transfers to reserve accounts	23	(2,706,141)	2,706,141	0	0
Balance as at 30 June 2023		69,788,399	13,023,572	85,459,645	168,271,616

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

**SHIRE OF EXMOUTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE	2023 Actual	2022 Actual
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Rates	3,828,221	3,739,080
Grants, subsidies and contributions	4,849,326	3,875,061
Fees and charges	9,738,305	7,839,460
Interest revenue	326,081	60,869
Other revenue	405,438	314,931
	19,147,371	15,829,401
Payments		
Employee costs	(7,064,729)	(6,998,185)
Materials and contracts	(8,804,498)	(2,847,399)
Utility charges	(850,579)	(849,884)
Finance costs	(123,804)	(64,707)
Insurance paid	(608,637)	(527,125)
Goods and services tax paid	(11,331)	(23,553)
Other expenditure	(209,043)	(709,487)
	(17,672,621)	(12,020,340)
Net cash provided by (used in) operating activities	1,474,750	3,809,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant & equipment	7(a) (477,755)	(2,657,439)
Payments for construction of infrastructure	8(a) (3,964,702)	(3,147,933)
Capital grants, subsidies and contributions	4,242,938	2,903,712
Proceeds from sale of property, plant & equipment	65,600	448,750
Net cash provided by (used in) investing activities	(133,919)	(2,452,911)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	13(b) (354,034)	(290,666)
Payments for principal portion of lease liabilities	10(c) (7,634)	(134,745)
Proceeds from new borrowings	13(b) 0	1,660,000
Proceeds from community loans	27,600	57,200
Advance to community groups	(102,267)	0
Net cash provided by (used In) financing activities	(436,335)	1,291,789
Net increase (decrease) in cash held	904,496	2,647,939
Cash at beginning of year	15,287,959	12,640,020
Cash and cash equivalents at the end of the year	16(a) 16,192,455	15,287,959

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

**SHIRE OF EXMOUTH
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	21	3,926,631	3,822,000	3,629,611
Rates excluding general rates	21	57,254	54,000	51,780
Grants, subsidies and contributions		4,983,254	2,446,000	4,512,738
Fees and charges		9,738,305	8,330,000	7,839,460
Interest revenue		326,081	140,000	60,869
Other revenue		405,438	451,000	314,931
Profit on asset disposals		3,600	0	1,862
Fair value adjustments to financial assets at fair value through profit or loss	4(a)	5,528	0	5,995
		19,446,091	15,243,000	16,417,246
Expenditure from operating activities				
Employee costs		(7,152,860)	(7,385,000)	(7,042,300)
Materials and contracts		(5,709,561)	(4,338,000)	(4,131,757)
Utility charges		(850,579)	(859,000)	(849,884)
Depreciation		(3,687,868)	(3,675,000)	(3,672,091)
Finance costs		(123,804)	(112,000)	(77,168)
Insurance		(608,637)	(579,000)	(527,125)
Other expenditure		(250,376)	(476,000)	(709,487)
Loss on asset disposals		(32,000)	0	(126,589)
		(18,415,685)	(17,424,000)	(17,136,401)
Non-cash amounts excluded from operating activities	22(a)	3,803,505	3,675,000	3,445,686
Amount attributable to operating activities		4,833,911	1,494,000	2,726,531
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		4,242,938	2,717,000	2,903,712
Proceeds from disposal of assets		65,600	146,000	448,750
		4,308,538	2,863,000	3,352,462
Outflows from investing activities				
Purchase of property, plant and equipment	7(a)	(477,755)	(1,050,000)	(2,657,439)
Purchase and construction of infrastructure	8(a)	(3,964,702)	(4,510,000)	(3,147,933)
		(4,442,457)	(5,560,000)	(5,805,372)
Amount attributable to investing activities		(133,919)	(2,697,000)	(2,452,910)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	13(a)	0	0	1,660,000
Transfers from reserve accounts	23	961,928	1,561,000	1,961,817
Proceeds from community loans		27,600	12,000	57,200
		989,528	1,573,000	3,679,017
Outflows from financing activities				
Repayment of borrowings	22(a)	(354,034)	(354,000)	(290,666)
Payments for principal portion of lease liabilities	22(a)	(7,634)	(6,000)	(134,745)
Transfers to reserve accounts	23	(2,706,141)	(1,771,000)	(2,622,504)
Advance to community groups		(102,267)	0	0
		(3,170,076)	(2,131,000)	(3,047,915)
Amount attributable to financing activities		(2,180,548)	(558,000)	631,102
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	22(b)	2,293,274	1,772,556	1,388,551
Amount attributable to operating activities		4,833,911	1,494,000	2,726,531
Amount attributable to investing activities		(133,919)	(2,697,000)	(2,452,910)
Amount attributable to financing activities		(2,180,548)	(558,000)	631,102
Surplus or deficit after imposition of general rates	22(b)	4,812,718	11,556	2,293,274

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

**SHIRE OF EXMOUTH
FOR THE YEAR ENDED 30 JUNE 2023
INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Property, Plant and Equipment	15
Note 8	Infrastructure	17
Note 9	Fixed Assets	19
Note 10	Leases	21
Note 11	Trade and Other Payables	23
Note 12	Other Liabilities	24
Note 13	Borrowings	25
Note 14	Employee Related Provisions	26
Note 15	Revaluation Surplus	27
Note 16	Notes to Statement of Cashflow	28
Note 17	Capital Commitments	29
Note 18	Related Party Transactions	30
Note 19	Major Trading Undertakings	32
Note 20	Other Significant Accounting Policies	33
Note 21	Rating Information	34
Note 22	Determination of Surplus or Deficit	35
Note 23	Reserve accounts	36
Note 24	Trust Funds	38
Note 25	Events Occurring After the End of the Reporting Period	39
Note 26	Contingent Liabilities	39

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

1. BASIS OF PREPARATION

The financial report of the Shire of Exmouth, which is a Band 3 local government, comprises general purpose financial statements which have been prepared in accordance with the Local Government Act 1995 and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

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

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 of the financial report.

Judgements and estimates

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

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

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

- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting

Initial application of accounting standards

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

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

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

New accounting standards for application in future years

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

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

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified. Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Grants, subsidies and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies and contributions	General contributions with no specific contractual commitments	No obligations	Not applicable	Not applicable	On receipt of funds
Fees and charges - licences, registrations, approvals	Building, planning, development, health and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	On landing/departure event
Fees and charges - sale of stock	Kiosk and visitor centre stock	Single point in time	In full in advance	Refund for faulty goods	At point of sale
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	3,983,885	0	3,983,885
Grants, subsidies and contributions	0	0	0	4,983,254	4,983,254
Fees and charges	0	0	46,095	9,692,210	9,738,305
Interest revenue	0	0	31,236	294,845	326,081
Other revenue	0	0	0	405,438	405,438
Capital grants, subsidies and contributions	0	4,188,846	0	54,092	4,242,938
Total	0	4,188,846	4,061,216	15,429,839	23,679,901

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	3,681,391	0	3,681,391
Grants, subsidies and contributions	0	0	0	4,512,738	4,512,738
Fees and charges	0	0	61,460	7,778,000	7,839,460
Interest revenue	0	0	25,984	34,885	60,869
Other revenue	0	0	0	314,931	314,931
Capital grants, subsidies and contributions	0	2,903,712	0	0	2,903,712
Total	0	2,903,712	3,768,835	12,640,554	19,313,101

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2023 Actual	2022 Actual
	\$	\$
Interest revenue		
Interest on reserve account funds	280,140	34,885
Trade and other receivables overdue interest	31,236	25,984
Other interest revenue	14,705	0
	<u>326,081</u>	<u>60,869</u>
Fees and charges relating to rates receivable		
Charges on instalment plan	10,575	12,346
<i>The 2023 original budget estimate in relation to Charges on instalment plan was \$12,000</i>		

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	54,250	48,500
- Other services – grant acquittals	5,400	41,760
	<u>59,650</u>	<u>90,260</u>

Employee Costs

Employee costs	7,152,860	7,042,300
	<u>7,152,860</u>	<u>7,042,300</u>

Finance costs

Borrowings	122,700	74,981
Lease liabilities	1,104	2,187
	<u>123,804</u>	<u>77,168</u>

Sundry expenses

	250,376	709,487
	<u>250,376</u>	<u>709,487</u>

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

3. CASH AND CASH EQUIVALENTS

Note	2023	2022
	\$	\$
Unrestricted cash and cash equivalents	3,168,883	4,008,600
Restricted cash and cash equivalents	13,023,572	11,279,359
Total cash and cash equivalents	16,192,455	15,287,959

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Restricted financial assets

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

4. OTHER FINANCIAL ASSETS

(a) Non-current assets

Financial assets at fair value through profit or loss

2023	2022
\$	\$
122,234	116,706
122,234	116,706
116,706	110,711
5,528	5,995
122,234	116,706

Financial assets at fair value through profit or loss

Units in Local Government House Trust - opening balance

Movement attributable to fair value increment

Units in Local Government House Trust - closing balance

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 22(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 20 (i)) due to the observable market rates).

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

Financial assets at fair value through profit or loss

The Shire has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has elected to recognise as fair value gains and losses through profit or loss.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

5. TRADE AND OTHER RECEIVABLES

Current

Rates and statutory receivables
Trade receivables
GST receivable
Loans receivable - clubs/institution

Non-current

Rates and statutory receivables
Loans receivable - clubs/institution

Note	2023	2022
	\$	\$
	345,367	177,378
	2,699,256	2,619,420
	177,586	166,255
	35,567	12,200
	3,257,776	2,975,253
	40,265	45,534
	108,700	57,400
	148,965	102,934

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

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

Other receivables

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

Measurement

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

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

6. INVENTORIES

Current	Note	2023	2022
		\$	\$
Fuel and materials		53,062	54,265
Visitor centre stock		160,575	113,920
		213,637	168,185
The following movements in inventories occurred during the year:			
Balance at beginning of year		168,185	114,747
Inventories expensed / consumed during the year		(538,289)	(412,864)
Additions to inventory during the year		583,741	466,302
Balance at end of year		213,637	168,185

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.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Sales comparison approach using recent observable market data for similar properties / Highest and Best Use	Independent registered valuer	June 2023	Price per square metre
Buildings - non-specialised	2	Sales comparison approach using recent observable market data for similar properties	Independent registered valuer	June 2023	Price per square metre
Buildings - specialised	3	Cost approach (Depreciated Replacement Cost Analysis) using current replacement cost	Independent registered valuer	June 2023	Cost to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.					
(ii) Cost					
Furniture and equipment		N/A	Cost	Not applicable	N/A
Plant and equipment		N/A	Cost	Not applicable	N/A

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings	Furniture and equipment	Plant and equipment	Other property, plant and equipment - works in progress	Total property, plant and equipment
	\$	\$	\$		\$	\$	\$	\$
Balance at 1 July 2021	8,646,789	5,361,829	49,944,873	63,953,491	1,134,503	2,695,895	1,434,748	69,218,637
Additions	295,000	1,418,704	136,306	1,850,010	0	224,777	582,652	2,657,439
Disposals	(330,000)	0	(87,883)	(417,883)	0	(155,594)	0	(573,477)
Revaluation increments / (decrements) transferred to revaluation surplus	8,458,211	231,510	22,013,772	30,703,493	0	0	0	30,703,493
Depreciation	0	(104,811)	(978,575)	(1,083,386)	(170,014)	(320,935)	0	(1,574,335)
Transfers	0	(763,032)	1,651,907	888,875	0	172,897	(1,434,748)	(372,976)
Balance at 30 June 2022	17,070,000	6,144,200	72,680,400	95,894,600	964,489	2,617,040	582,652	100,058,781
Comprises:								
Gross balance amount at 30 June 2022	17,070,000	9,143,400	99,399,600	125,613,000	1,985,516	6,613,397	582,652	134,794,565
Accumulated depreciation at 30 June 2022	0	(2,999,200)	(26,719,200)	(29,718,400)	(1,021,027)	(3,996,357)	0	(34,735,784)
Balance at 30 June 2022	17,070,000	6,144,200	72,680,400	95,894,600	964,489	2,617,040	582,652	100,058,781
Additions	0	22,353	428,095	450,448	21,495	5,812	0	477,755
Disposals	0	0	0	0	0	(94,000)	0	(94,000)
Revaluation increments / (decrements) transferred to revaluation surplus	855,000	78,318	6,064,915	6,998,233	0	0	0	6,998,233
Depreciation	0	(156,119)	(901,415)	(1,057,534)	(162,028)	(312,556)	0	(1,532,118)
Transfers	0	0	177,643	177,643	0	405,009	(582,652)	0
Balance at 30 June 2023	17,925,000	6,088,752	78,449,638	102,463,390	823,956	2,621,305	0	105,908,651
Comprises:								
Gross balance amount at 30 June 2023	17,925,000	9,935,252	108,672,838	136,533,090	2,007,012	6,651,030	0	145,191,132
Accumulated depreciation at 30 June 2023	0	(3,846,500)	(30,223,200)	(34,069,700)	(1,183,056)	(4,029,725)	0	(39,282,481)
Balance at 30 June 2023	17,925,000	6,088,752	78,449,638	102,463,390	823,956	2,621,305	0	105,908,651

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Other infrastructure	Other infrastructure - works in progress	Total Infrastructure
	\$	\$	\$	\$
Balance at 1 July 2021	34,451,543	14,676,090	458,090	49,585,723
Additions	1,577,353	1,341,305	229,275	3,147,933
Impairment (losses) / reversals	900,000	0	0	900,000
Depreciation	(1,440,646)	(526,048)	0	(1,966,694)
Transfers	0	781,306	(408,330)	372,976
Balance at 30 June 2022	35,488,250	16,272,653	279,035	52,039,938
Comprises:				
Gross balance at 30 June 2022	49,815,015	24,889,551	279,035	74,983,601
Accumulated depreciation at 30 June 2022	(14,326,765)	(8,616,898)	0	(22,943,663)
Balance at 30 June 2022	35,488,250	16,272,653	279,035	52,039,938
Additions	2,299,352	1,658,037	7,313	3,964,702
Revaluation increments / (decrements) transferred to revaluation surplus	(4,791,175)	(715,648)	0	(5,506,823)
Impairment (losses) / reversals	0	0	0	0
Depreciation	(1,512,580)	(635,351)	0	(2,147,931)
Transfers	117,651	120,051	(279,035)	(41,333)
Balance at 30 June 2023	31,601,498	16,699,742	7,313	48,308,553
Comprises:				
Gross balance at 30 June 2023	70,864,113	31,137,543	7,313	102,008,969
Accumulated depreciation at 30 June 2023	(39,262,615)	(14,437,801)	0	(53,700,416)
Balance at 30 June 2023	31,601,498	16,699,742	7,313	48,308,553

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	3	Cost approach (Depreciated Replacement Cost Analysis) using current replacement cost	Independent registered valuer	June 2023	Cost to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.
Other infrastructure	3	Cost approach (Depreciated Replacement Cost Analysis) using current replacement cost	Independent registered valuer	June 2023	Cost to reproduce or replace similar assets with an asset in new condition, including allowance for installation, less an amount for depreciation in the form of accrued physical wear and tear, economic and functional obsolescence.

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.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. FIXED ASSETS

(a) Depreciation

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
Buildings - non-specialised	40 years
Buildings - specialised	30 to 100 years
Furniture and equipment	4 to 15 years
Plant and equipment	3 to 40 years
Other infrastructure	13 to 80 years
Infrastructure - roads	
- Roads - Cattle Grid	80 years
- Roads - Floodway	80 years
- Roads - Gravel Sheet	13 years
- Roads - Sealed Pavement	40 years
- Roads - Subgrade	not depreciated
- Roads - Surface	20 years
- Footpaths	40 years
- Drainage	15 to 80 years

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value (as indicated), less any accumulated depreciation and impairment losses.

Initial recognition and measurement for assets held at cost

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

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

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

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

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

Revaluation

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

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

Revaluation (continued)

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

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

Depreciation on revaluation

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

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

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 9(a).

Impairment

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

Gains or losses on disposal

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

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

10. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets	
		Right-of-use assets	Total
		\$	\$
Balance at 1 July 2021		136,899	136,899
Depreciation		(131,062)	(131,062)
Balance at 30 June 2022		5,837	5,837
Gross balance amount at 30 June 2022		32,165	32,165
Accumulated depreciation at 30 June 2022		(26,328)	(26,328)
Balance at 30 June 2022		5,837	5,837
Additions		59,357	59,357
Depreciation		(7,819)	(7,819)
Balance at 30 June 2023		57,375	57,375
Gross balance amount at 30 June 2023		59,357	59,357
Accumulated depreciation at 30 June 2023		(1,982)	(1,982)
Balance at 30 June 2023		57,375	57,375

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

		2023 Actual	2022 Actual
		\$	\$
Depreciation on right-of-use assets		(7,819)	(131,062)
Finance charge on lease liabilities	22(a)	(1,104)	(2,187)
Low-value asset lease payments recognised as expense		47,640	47,640
Total amount recognised in the statement of comprehensive income		38,717	(85,609)
Total cash outflow from leases		(8,738)	(136,932)

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

10. LEASES (Continued)

(b) Lease Liabilities

	2023 Actual	2022 Actual
Current	4,698	6,122
Non-current	53,147	0
22(a)	57,845	6,122

(c) Lease Liabilities - Movements

Purpose	Actual								Budget				
	Principal				Principal				Principal				
	Principal at 1 July 2021	New Leases During 2021- 22	Repayments During 2021- 22	Principal at 30 June 2022	Interest Payment 2021-22	New Leases During 2022- 23	Repayments During 2022- 23	Principal at 30 June 2023	Interest Payment 2022-23	Principal at 1 July 2022	New Leases During 2022- 23	Repayments During 2022- 23	Principal at 30 June 2023
Rental Dugong Close	12,979	0	(12,979)	0	(55)	0	0	0	0	0	0	0	0
Airport X-Ray Scanner	112,818	0	(112,818)	0	(1,795)	0	0	0	0	0	0	0	0
RAAF Airport Lease	15,070	0	(8,948)	6,122	(337)	59,357	(7,634)	57,845	(1,104)	6,122	0	(6,000)	122
Total Lease Liabilities	140,867	0	(134,745)	6,122	(2,187)	59,357	(7,634)	57,845	(1,104)	6,122	0	(6,000)	122

The Shire of Exmouth leases parts of the RAAF Airport from the Commonwealth of Australia for a term of 10 years with an extension option.

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 22(a).

Right-of-use assets - measurement

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

Refer to Note 9 under revaluation for details on the significant accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
ATO liabilities
Bonds and deposits held
Accrued interest and borrowings
Accrued expenses
Payroll creditors

	2023	2022
	\$	\$
	570,137	2,535,338
	56,472	49,416
	116,974	23,434
	123,415	182,744
	354,953	188,412
	22,295	20,865
	239,433	1,492,263
	575	0
	1,484,254	4,492,472

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the 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 of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

12. OTHER LIABILITIES

Current

Contract liabilities

Reconciliation of changes in contract liabilities

Opening balance

Additions

Revenue from contracts with customers included as a contract liability at the start of the period

	2023	2022
	\$	\$
	300,000	354,092
	300,000	354,092
	354,092	409,363
	300,000	354,092
	(354,092)	(409,363)
	300,000	354,092

The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.

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

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

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

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 20(i)) due to the unobservable inputs, including own credit risk.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

13. BORROWINGS

(a) Borrowings

	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Secured	\$	\$	\$	\$	\$	\$
Long term borrowings	366,560	2,732,361	3,098,921	354,034	3,098,921	3,452,955
Total secured borrowings	366,560	2,732,361	3,098,921	354,034	3,098,921	3,452,955

(b) Borrowings - Movements

Purpose	Interest Rate	Institution	Actual								Budget					
			Principal				Interest Repayments	Principal				Principal				
			Principal at 1 July 2021	New Loans During 2021-22	Repayments During 2021-22	Principal at 30 June 2022		New Loans During 2022-23	Repayments During 2022-23	Principal at 30 June 2023	Interest Repayments 2022-23	Principal at 1 July 2022	New Loans During 2022-23	Repayments During 2022-23	Principal at 30 June 2023	Interest Repayments 2022-23
1 Bennett street	5.04%	WATC	\$ 197,665	\$ 0	\$ (22,291)	\$ 175,374	\$ (9,617)	\$ 0	\$ (23,429)	\$ 151,945	\$ (9,007)	\$ 175,374	\$ 0	\$ (23,000)	\$ 152,374	\$ (9,000)
Staff dwellings	4.73%	WATC	480,257	0	(72,049)	408,208	(21,025)	0	(75,531)	332,677	(18,341)	408,209	0	(76,000)	332,209	(18,000)
Rubbish truck	2.41%	WATC	85,975	0	(85,975)	0	(1,495)	0	0	0	0	0	0	0	0	0
Ningaloo Centre	3.33%	WATC	779,724	0	(59,768)	719,956	(25,412)	0	(61,775)	658,181	(24,124)	719,956	0	(62,000)	657,956	(23,000)
Staff dwellings	1.44%	WATC	540,000	0	(50,583)	489,417	(7,571)	0	(51,314)	438,103	(7,013)	489,417	0	(51,000)	438,417	(7,000)
Staff dwellings	3.40%	WATC	0	1,660,000	0	1,660,000	(9,861)	0	(141,985)	1,518,015	(64,215)	1,660,000	0	(142,000)	1,518,000	(55,000)
Total			2,083,621	1,660,000	(290,666)	3,452,955	(74,981)	0	(354,034)	3,098,921	(122,700)	3,452,956	0	(354,000)	3,098,956	(112,000)

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Exmouth.

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

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

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

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 20(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2023	2022
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	455,449	420,498
Long service leave	154,868	230,055
	610,317	650,553
Employee related other provisions		
Employment on-costs	139,196	127,838
	139,196	127,838
Total current employee related provisions	749,513	778,391
Non-current provisions		
Employee benefit provisions		
Long service leave	247,497	164,699
	247,497	164,699
Total non-current employee related provisions	247,497	164,699
Total employee related provisions	997,010	943,090

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

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

Amounts are expected to be settled on the following basis:	Note	2023	2022
		\$	\$
Less than 12 months after the reporting date		647,618	583,556
More than 12 months from reporting date		349,392	359,534

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any 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.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

15. REVALUATION SURPLUS

	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	Total Movement on Revaluation	2022 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	11,628,514	855,000	12,483,514	3,170,303	8,458,211	11,628,514
Revaluation surplus - Buildings - non-specialised	179,894	78,318	258,212	(51,616)	231,510	179,894
Revaluation surplus - Buildings - specialised	43,984,431	6,064,915	50,049,346	21,970,659	22,013,772	43,984,431
Revaluation surplus - Furniture and equipment	935,970	0	935,970	935,970	0	935,970
Revaluation surplus - Plant and equipment	1,069,516	0	1,069,516	1,069,516	0	1,069,516
Revaluation surplus - Infrastructure - roads	19,709,940	(4,791,175)	14,918,765	18,809,940	900,000	19,709,940
Revaluation surplus - Other infrastructure	6,459,970	(715,648)	5,744,322	6,459,970	0	6,459,970
	83,968,235	1,491,410	85,459,645	52,364,742	31,603,493	83,968,235

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2023 Actual \$	2022 Actual \$
Cash and cash equivalents	3	16,192,455	15,287,959
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	13,023,572	11,279,359
		13,023,572	11,279,359
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	23	13,023,572	11,279,359
Total restricted financial assets		13,023,572	11,279,359
(b) Undrawn Borrowing Facilities			
Credit Standby Arrangements			
Bank overdraft limit		400,000	400,000
Bank overdraft at balance date		0	0
Credit card limit		25,000	20,000
Credit card balance at balance date		(6,345)	(6,537)
Total amount of credit unused		418,655	413,463
Loan facilities			
Loan facilities - current		366,560	354,034
Loan facilities - non-current		2,732,361	3,098,921
Total facilities in use at balance date		3,098,921	3,452,955
Unused loan facilities at balance date		0	0

**SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023**

17. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	44,192	534,886
- plant & equipment purchases	166,461	445,508
	210,653	980,394
Payable:		
- not later than one year	210,653	980,394

The capital expenditure projects outstanding at the end of the current reporting period represent the remainder of supply of earthmoving plant equipment and road base material and the purchase of three (3) light vehicles.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

18. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2023 Actual	2023 Budget	2022 Actual
	\$	\$	\$
President's annual allowance	37,881	37,881	36,750
President's meeting attendance fees	25,976	25,976	25,016
President's ICT expenses	294	700	446
President's travel and accommodation expenses	4,452	10,000	5,083
	68,603	74,557	67,295
Deputy President's annual allowance	9,470	9,470	9,064
Deputy President's meeting attendance fees	13,421	13,421	12,967
Deputy President's ICT expenses	294	700	446
Deputy President's travel and accommodation expenses	2,760	0	1,525
	25,945	23,591	24,002
All other council member's meeting attendance fees	51,689	53,684	49,285
All other council member's ICT expenses	589	700	667
All other council member's annual allowance for ICT expenses	1,200	1,800	1,375
All other council member's travel and accommodation expenses	2,297	0	269
	55,775	56,184	51,596
18(b)	150,323	154,332	142,893

(b) Key Management Personnel (KMP) Compensation

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

Note	2023 Actual	2022 Actual
	\$	\$
Short-term employee benefits	619,778	519,737
Post-employment benefits	99,569	91,789
Employee - other long-term benefits	15,872	10,401
Employee - termination benefits	0	52,749
Council member costs	150,323	142,893
18(a)	885,542	817,569

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements 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).

Council member costs

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

18. RELATED PARTY TRANSACTIONS

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.

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

	2023 Actual	2022 Actual
	\$	\$
Sale of goods and services	34,354	55,145
Purchase of goods and services	154,717	176,221

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 council member, are considered key management personnel and are detailed in Notes 18(a) and 18(b).

ii. Other Related Parties

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

Payments relating to accommodation, catering, furniture, interpretative equipment and training services were made to entities controlled by related parties on an arms length basis totalling \$154,717.

Payments relating to leases and booking commissions were made by entities controlled by related parties on an arms length basis totalling \$34,354.

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

19. 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 is responsible for maintaining the other civil facilities used for civil aviation to comply with defence legislations and regulations.

	2023	2023	2022
	Actual	Budget	Actual
	\$	\$	\$
Operating Revenue			
Grants, subsidies and contributions	1,759,603	600,000	1,785,401
Fees and charges	5,416,332	4,804,000	4,396,831
Other revenue	0	3,000	3,410
	7,175,935	5,407,000	6,185,642
Operating Expenses			
Employee costs	(1,141,321)	(1,284,000)	(1,191,783)
Materials and contracts	(1,845,809)	(1,097,500)	(924,184)
Utility charges	(115,412)	(120,000)	(110,909)
Depreciation	(273,860)	(414,000)	(434,256)
Finance costs	(1,104)	0	(2,187)
Insurance	(89,594)	(83,000)	(76,432)
Other expenditure	107,004	(200,000)	(107,984)
	(3,360,096)	(3,198,500)	(2,847,735)
Operating Surplus	3,815,839	2,208,500	3,337,907
Capital Revenue			
Grants, subsidies and contributions	6,721	0	0
	6,721	0	0
Capital Expenses			
Buildings Specialised	(39,764)	0	(219,845)
Plant and equipment	0	0	(9,046)
Transfer to/from reserve	0	68,000	50,040
	(39,764)	68,000	(178,851)
Closing Surplus	3,782,796	2,276,500	3,159,056

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

20. 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 report is presented.

e) Budget comparative figures

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

f) Superannuation

The 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) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The 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.

j) Impairment of assets

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

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

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

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

21. RATING INFORMATION

(a) General Rates

RATE TYPE Rate Description	Basis of valuation	Rate in \$	Number of Properties	2022/23 Actual Rateable Value*	2022/23 Actual Rate Revenue	2022/23 Actual Interim Rates	2022/23 Actual Total Revenue	2022/23 Budget Rate Revenue	2022/23 Budget Interim Rate	2022/23 Budget Total Revenue	2021/22 Actual Total Revenue
General	Gross rental valuation	0.0825	1,198	29,698,125	2,453,870	23,054	2,476,924	2,466,000	10,000	2,476,000	2,344,745
Marina Developed	Gross rental valuation	0.1113	117	3,985,237	447,391	17,626	465,017	432,000	0	432,000	401,293
Holiday Homes	Gross rental valuation	0.1143	118	2,836,940	316,058	9,616	325,674	256,000	0	256,000	243,237
Vacant Land	Gross rental valuation	0.1649	206	2,113,130	348,456	687	349,143	379,000	0	379,000	367,682
Mining	Unimproved valuation	0.1756	10	358,420	62,939	0	62,939	64,000	0	64,000	60,670
Rural	Unimproved valuation	0.0878	6	537,400	47,184	0	47,184	47,000	0	47,000	45,034
Total general rates			1,655	39,529,252	3,675,898	50,983	3,726,881	3,644,000	10,000	3,654,000	3,462,661
Minimum payment		\$									
General	Gross rental valuation	995	100	915,292	98,030	0	98,030	59,000	0	59,000	57,000
Marina Developed	Gross rental valuation	995	4	648,410	3,350	0	3,350	1,000	0	1,000	950
Holiday Homes	Gross rental valuation	995	0	0	0	0	0	0	0	0	0
Vacant Land	Gross rental valuation	785	121	393,490	94,985	0	94,985	104,000	0	104,000	105,750
Mining	Unimproved valuation	260	10	9,366	2,600	0	2,600	3,000	0	3,000	2,500
Rural	Unimproved valuation	785	1	5,800	785	0	785	1,000	0	1,000	750
Total minimum payments			236	1,972,358	199,750	0	199,750	168,000	0	168,000	166,950
Total general rates and minimum payments			1,891	41,501,610	3,875,648	50,983	3,926,631	3,812,000	10,000	3,822,000	3,629,611
Specified Area Rates		Rate in \$									
Marina Specified Area Rate	Gross rental valuation	0.0140		16,475,440	56,123	1,131	57,254	54,000	0	54,000	51,780
Total Rates							3,983,885			3,876,000	3,681,391
Rate instalment interest							10,209				
Rate overdue interest							21,026				

The rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

22. DETERMINATION OF SURPLUS OR DEFICIT

	Actual 2022/23 (30 June 2023 Carried Forward)	Budget 2022/23 (30 June 2023 Carried Forward)	Actual 2021/22 (30 June 2022 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	(3,600)	0	(1,862)
Less: Movement in liabilities associated with restricted cash	0	0	(349,654)
Less: Fair value adjustments to financial assets at fair value through profit or loss	(5,528)	0	(5,995)
Add: Loss on disposal of assets	32,000	0	126,589
Add: Depreciation	3,687,868	3,675,000	3,672,091
Non-cash movements in non-current assets and liabilities:			
Pensioner deferred rates	5,269	0	4,492
Employee benefit provisions	82,798	0	(6,097)
Lease liabilities	4,698	0	6,122
Non-cash amounts excluded from operating activities	3,803,505	3,675,000	3,445,686
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	(13,023,572)	(11,441,297)	(11,279,359)
Less: Community loans	(35,567)	12,000	(12,200)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	366,560	366,177	354,034
- Current portion of lease liabilities	4,698	122	6,122
- Employee benefit provisions	741,756	770,000	778,391
Total adjustments to net current assets	(11,946,125)	(10,292,998)	(10,153,012)
Net current assets used in the Statement of Financial Activity			
Total current assets	19,663,868	14,716,136	18,431,397
Less: Total current liabilities	(2,905,025)	(4,411,582)	(5,985,111)
Less: Total adjustments to net current assets	(11,946,125)	(10,292,998)	(10,153,012)
Surplus or deficit after imposition of general rates	4,812,718	11,556	2,293,274

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

23. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022	
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by legislation/agreement												
(a) Marina Canal Reserve (Specified Area Rates)	464,554	68,841	0	533,395	465,149	58,000	0	523,149	411,149	53,405	0	464,554
	464,554	68,841	0	533,395	465,149	58,000	0	523,149	411,149	53,405	0	464,554
Restricted by council												
(b) Leave reserve	701,601	17,057	0	718,658	702,202	6,000	0	708,202	699,202	2,399	0	701,601
(c) Aviation Reserve	1,125,461	27,362	0	1,152,823	1,113,684	10,000	0	1,123,684	1,172,684	4,023	(51,246)	1,125,461
(d) Building Infrastructure Reserve	81,732	1,987	0	83,719	81,401	1,000	0	82,401	81,401	331	0	81,732
(e) Community Development Reserve	1,125,029	25,265	(212,000)	938,294	1,126,283	10,000	0	1,136,283	1,382,658	4,746	(262,375)	1,125,029
(f) Community Interest Free Reserve	279,018	5,777	(102,267)	182,528	279,065	3,000	0	282,065	278,065	953	0	279,018
(g) Insurance/Natural Disaster Reserve	184,605	4,488	0	189,093	184,974	2,000	0	186,974	183,974	631	0	184,605
(h) Land Acquisition Reserve	1,391,625	33,832	0	1,425,457	1,373,802	14,000	0	1,387,802	1,725,802	5,823	(340,000)	1,391,625
(i) Marina Village Asset Replacement Reserve	33,557	816	0	34,373	33,442	0	0	33,442	33,442	115	0	33,557
(j) Mosquito Management Reserve	10,196	248	0	10,444	10,161	0	0	10,161	10,161	35	0	10,196
(k) Ningaloo Centre Reserve	295,058	345,602	(183,000)	457,660	295,175	40,000	0	335,175	257,176	37,882	0	295,058
(l) Plant Reserve	460,599	546,279	0	1,006,878	432,296	534,000	(720,000)	246,296	550,296	531,851	(621,548)	460,599
(m) Public Radio Infrastructure Reserve	5,203	127	0	5,330	5,185	0	0	5,185	5,185	18	0	5,203
(n) Rehabilitation Reserve	254,305	6,183	0	260,488	254,435	2,000	0	256,435	253,435	870	0	254,305
(o) Roads Reserve	904,290	208,936	(187,000)	926,226	905,228	8,000	0	913,228	901,229	3,061	0	904,290
(p) Shire President COVID-19 Relief Fund	40,347	221	(40,568)	0	40,209	0	(40,000)	209	40,209	138	0	40,347
(q) Shire Staff Housing Reserve	37,562	1,060,980	0	1,098,542	38,092	1,050,000	0	1,088,092	137,090	472	(100,000)	37,562
(r) Swimming Pool Reserve	2,306,210	56,068	0	2,362,278	2,296,793	22,000	0	2,318,793	650,793	1,702,222	(46,805)	2,306,210
(s) Tourism Development Reserve	355,048	8,632	0	363,680	354,832	3,000	0	357,832	358,832	1,216	(5,000)	355,048
(t) Town Planning Scheme Reserve	22,045	536	0	22,581	21,969	0	0	21,969	21,969	76	0	22,045
(u) Waste & Recycle Management Reserve	822,091	221,904	0	1,043,995	815,557	8,000	(400,000)	423,557	1,054,557	3,619	(236,085)	822,091
(v) Unspent Grants & Contributions Reserve	379,223	65,000	(237,093)	207,130	401,363	0	(401,000)	363	409,363	268,618	(298,758)	379,223
	10,814,805	2,637,300	(961,928)	12,490,177	10,766,148	1,713,000	(1,561,000)	10,918,148	10,207,523	2,569,099	(1,961,817)	10,814,805
	11,279,359	2,706,141	(961,928)	13,023,572	11,231,297	1,771,000	(1,561,000)	11,441,297	10,618,672	2,622,504	(1,961,817)	11,279,359

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

23. RESERVE ACCOUNTS (Continued)

Name of reserve account	Purpose of the reserve account
Restricted by legislation/agreement	
(a) Marina Canal Reserve (Specified Area Rates)	These funds are derived from levying specified area rate titles Marina Specified Area Rates.
Restricted by council	
(b) Leave reserve	To be used for annual and long service leave requirements.
(c) Aviation Reserve	To be used to fund aviation improvements.
(d) Building Infrastructure Reserve	To be used for the development, preservation and maintenance of building infrastructure with the Shire of Exmouth.
(e) Community Development Reserve	To be used for major community development initiatives.
(f) Community Interest Free Reserve	To be used to fund major community development projects.
(g) Insurance/Natural Disaster Reserve	To be used for the purpose of funding insurance claims where the excess is higher than the cost of repairs in addition to any weather related insurance/WANDRRA claims.
(h) Land Acquisition Reserve	To be used to fund the acquisition and disposal of land and buildings and provide contributions for land development within the Shire of Exmouth.
(i) Marina Village Asset Replacement Reserve	To be used for the preservation and maintenance of infrastructure related to the Exmouth Marina Village.
(j) Mosquito Management Reserve	To be used in years where mosquito-borne disease/nuisance is greater than normal.
(k) Ningaloo Centre Reserve	To be used for the preservation and maintenance of the Ningaloo Centre.
(l) Plant Reserve	To be used for the purchase of major plant and equipment.
(m) Public Radio Infrastructure Reserve	To be used to maintain the rebroadcasting infrastructure.
(n) Rehabilitation Reserve	To be used to manage the funds associated with the environmental rehabilitation of the sand and gravel pits within the Shire of Exmouth.
(o) Roads Reserve	To be used for the preservation and maintenance of roads.
(p) Shire President COVID-19 Relief Fund	To be used to support the community who are severely financially affected by COVID-19.
(q) Shire Staff Housing Reserve	To be used to fund housing for staff.
(r) Swimming Pool Reserve	To be used to fund swimming pool upgrades.
(s) Tourism Development Reserve	To be used to fund the development and implementation of initiatives to achieve the strategic tourism and economic developments of the Shire of Exmouth.
(t) Town Planning Scheme Reserve	To be used for the purpose of funding a review of the future Town Planning Scheme.
(u) Waste & Recycle Management Reserve	To be used to fund capital and operational costs of Refuse Site including implementation of post closure plan.
(v) Unspent Grants & Contributions Reserve	To be used to contain funds that are derived from unspent grants or prepaid grants and contributions from external parties.

**SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023**

24. 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:

	1 July 2022	Amounts Received	Amounts Paid	30 June 2023
	\$	\$	\$	\$
Cash in Lieu POS	45,641	0	0	45,641
Bond Deed Exmouth Marina Holdings	18,186	0	0	18,186
Exmouth Volunteer Fire & Rescue	50,828	0	0	50,828
	<u>114,655</u>	<u>0</u>	<u>0</u>	<u>114,655</u>

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There were no events after the end of the financial year ended 30 June 2023.

26. CONTINGENT LIABILITIES

The Shire of Exmouth has no contingent liabilities.



Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 Shire of Exmouth

To the Council of the Shire of Exmouth

Opinion

I have audited the financial report of the Shire of Exmouth (Shire) which comprises:

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

In my opinion, the financial report is:

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

Basis for opinion

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

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

Other information

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

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

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

Tim Sanya
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
6 December 2023



Shire of Exmouth

Exit Report For The Year Ended 30 June 2023

5 December 2023

Strictly Private & Confidential



Nexia Perth Audit Services Pty Ltd

Level 3, 88 William St

Perth WA 6000

GPO Box 2570

Perth WA 6001

E: info@nexiaperth.com.au

P: +61 8 9463 2463

F: +61 8 9463 2499

nexia.com.au

Council Members
Shire of Exmouth
2 Truscott Crescent
Exmouth WA 6707

5 December 2023

Dear Council Members

Shire of Exmouth - Exit Report for the year ended 30 June 2023 - Communication with those charged with Governance

We are pleased to present you with our Exit Report relating to the audit of the Shire of Exmouth (the Shire) for the year ended 30 June 2023.

We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. This report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, and other recommendations for your attention.

We have substantially completed our audit work, with only the following matters outstanding:

- Receipt of the signed management representation letter;
- Confirmation that there are no subsequent events which might affect the financial statements; and
- Receipt of the signed financial statements.

We received your draft financial statements which were ready for audit on 14 November 2023. These details will be included in OAG's Local Government's Audit Results Report to be tabled in Parliament.

We will be recommending an unmodified audit opinion to the Office of the Auditor General (OAG) after these matters are completed.

We would like to take this opportunity to thank the Shire of Exmouth's finance and administrative team for their assistance over the course of the audit.

If you have any queries or wish to discuss any issues further, please do not hesitate to contact us.

Yours faithfully,

Justin Mulhair
Director
Nexia Perth Audit Services Pty Ltd

Mikey Fiorucci
Director
Office of the Auditor General

Advisory. Tax. Audit.

ACN 145 447 105

Nexia Perth Audit Services Pty Ltd (ABN 27 145 447 105) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd.

Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information, please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited under a scheme approved under Professional Standards Legislation.

Table of Contents

1. Audit Scope	4
2. Audit Risk Areas	5
3. Current year recommendations	10
4. Audit differences	11



1. Audit scope

Scope

As the contracted auditor of the OAG, we are required to comply with the Auditor General Act 2006 (AGA 2006). Under the provision of the AGA 2006, we audited the financial statements, and other information submitted by the Shire.

Audit of the Shire's financial statements

The primary scope and objective is to express an opinion to the Office of the Auditor General (OAG) on whether the Shire's general purpose financial report as a whole is free from material misstatements (whether due to fraud or error) and is prepared (in all material respects) in accordance with:

- The Local Government Act 1995 (as amended)
- Local Government (Financial Management) Regulations 1996 (as amended)
- Australian Accounting Standards (AAS)
- Where appropriate, those AAS paragraphs applicable for not-for-profit entities.

2. Audit risk and focus areas

The areas below are audit risk and focus areas that we identified based on our understanding of your business, discussions with management as well as any additional risks that arose during the audit. These audit risk and focus areas were included in our Audit Strategy Memorandum at the commencement of the audit and are summarised as follows;

- Management override (risk area);
- Fair value of infrastructure assets (risk area);
- Property, plant and equipment and infrastructure (risk area);
- Revenue (risk area);
- Operational expenditure and capital expenditure (focus area);
- Cash and cash equivalents (focus area);
- Borrowings and trade payables (focus area);
- Trade and other receivables (focus area);
- Reserve accounts (focus area);
- Employee benefit provisions (focus area);
- Integrated Financial information relies on the security, integrity and reliability of a shire’s information technology environment (focus area);
- Related party transactions and disclosures (focus area);
- Local Government Reform Changes (focus area);
- Prior year management letter points (focus area).

This is not a complete list of all audit risks and focus areas considered or all audit procedures performed. We have presented the risks in three categories: high, medium and low. These are defined as follows:

HIGH	A judgmental assessment of inherent risk as high relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of: the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.
MEDIUM	A judgmental assessment of inherent risk as medium relates to a risk that requires additional audit consideration beyond what would be required for a low risk, but which does not rise to the level of a high risk.
LOW	A judgmental assessment of inherent risk as low is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

2. Audit risk and focus areas (continued)

	AUDIT RISK AREA	AUDIT CONCLUSION	
MEDIUM	<p>R1 Management override (presumed risk in accordance with ASA 240 <i>The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report</i>) Management is involved in the day-to-day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.</p>	<p>Based on the work performed, we are satisfied that there are adequate internal controls in place surrounding journal entries and that these are operating effectively. Furthermore, journals processed during the year which we examined were supported by appropriate documentation. Lastly, there was no evidence of management bias noted in the use of accounting estimates.</p>	OUTCOME
MEDIUM	<p>R2 Fair Value of Infrastructure assets Without a robust assessment of fair value of City Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).</p>	<p>Based on the work performed, we are satisfied that fair value of Shire Infrastructure Assets have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).</p>	OUTCOME
MEDIUM	<p>R3 Property, Plant and Equipment and Infrastructure Under regulation 17A of the Financial Management Regulations, the Shire's Property, Plant and Equipment and Infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Shire is required to revalue an asset:</p> <ul style="list-style-type: none"> • whenever the local government believes the fair value of the asset is likely to be materially different from its carrying amount; and, • in any event, within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued. <p>There is a risk that the fair value assessment has not been performed in accordance with AASB 13 <i>Fair value measurement</i>.</p> <p>Furthermore, in accordance with paragraph 9 of AASB 136 <i>Impairment of Assets</i>, the Shire is required to assess at each reporting date whether there is any indication that an asset may be impaired.</p> <p>Effective from 1 July 2018, regulation 17A (5) of the Financial Management Regulations provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition is under \$5,000.</p>	<p>Based on the work performed, we are satisfied that Property, Plant and Equipment and Infrastructure were carried at fair value less accumulated depreciation and accumulated impairment losses. There are effective internal controls in place, and we are satisfied that the Shire's accounting policy has been consistently applied and is in accordance with Australian accounting standards.</p>	OUTCOME

2. Audit risk and focus areas (continued)

	AUDIT FOCUS AREA	AUDIT CONCLUSION	
MEDIUM	<p>R4 Revenue recognition (presumed risk in accordance with ASA 240 The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report)</p> <p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> • government grants; • rates; and • other fees and charges. 	<p>Based on the work performed, we are satisfied that operating and non-operating revenue/income has been correctly recognised during the year in accordance with the Shire's accounting policy and Australian accounting standards.</p>	OUTCOME
MEDIUM	<p>F1 Operational expenditure and capital expenditure</p> <p>As is prevalent in the local government industry, expenditure forms a large part of the Shire's operations. This takes the form of both operating expenditure and capital expenditure.</p> <p>All procurement made by the Shires are subject to the requirements of the Act and Part 4 of the Local Government (Functions and General) Regulations 1996 ('Functions and General Regulations'), which is the basis for the Shires' purchasing policy ('Policy'). The Act and the Functions and General Regulations are there to guide the Shires in delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. Errors, uncertainty and unrealistic timelines can undermine market confidence, discredit a purchasing process and devalue the outcome of the procurement. Due to the strict and complex requirements of the Policy, including value for money, regulatory compliance, record management, transparency and professionalism, there is potential for insufficient knowledge of the Policy's requirements or failure to comply with the Policy.</p>	<p>Based on the work performed, we are satisfied that operational and capital expenditure were correctly treated during the year and there are effective internal controls in place. Furthermore, we are satisfied that the Shire's accounting policy has been consistently applied and is in accordance with the Australian accounting standards.</p>	OUTCOME
MEDIUM	<p>F2 Cash and cash equivalents</p> <p>Cash and cash equivalents (and restricted cash and cash equivalents) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value.</p>	<p>Based on the work performed, we are satisfied that controls around bank reconciliations are operating effectively and cash and cash equivalents are not materially misstated at 30 June 2023.</p>	OUTCOME
MEDIUM	<p>F3 Borrowings and trade payables</p> <p>Borrowings and trade payables are material balances of the Shire. Borrowings consist of amount owing to the Western Australian Treasury Corporation and trade payables consist of sundry creditors and accruals.</p>	<p>Based on the work performed, we are satisfied that borrowings and trade payables have been recognised and measured correctly and are not materially misstated at 30 June 2023.</p>	OUTCOME

2. Audit risk and focus areas (continued)

	AUDIT FOCUS AREA	AUDIT CONCLUSION	
MEDIUM	<p>F4 Trade and other receivables Trade and other receivables are material balances of the Shire. Trade and other receivables consists of rates debtors and sundry debtors.</p>	Based on the work performed, we are satisfied that trade and other receivables have been recognised and measured correctly and are not materially misstated at 30 June 2023.	OUTCOME
MEDIUM	<p>F5 Reserve Accounts The Shire has set up various reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. However, reserve accounts are not separate funds and are consolidated with the municipal fund in the financial statements of the Shires.</p>	Based on work performed, we are satisfied that the transfers to and from these accounts during the year were in accordance with the specific purpose of the reserves and were all approved by Shire.	OUTCOME
MEDIUM	<p>F6 Employee benefit provisions Employee benefit provisions are a material balance in the Statement of Financial Position. Provisions for annual leave and long service leave involve a degree of management estimation and a level of uncertainty in their calculations</p>	Based on work performed, we are satisfied that there are adequate controls around leave approvals and that these are operating effectively. We are also satisfied that the assumptions and inputs used in calculating employee benefit provisions are appropriate and in accordance the Shire's accounting policy and Australian accounting standards.	OUTCOME
MEDIUM	<p>F7 Integrated Financial information relies on the security, integrity and reliability of a shire's information technology environment Integrated financial information and financial reporting relies on the security, integrity and reliability of a Shire's information technology environment.</p>	Based on work performed, we are satisfied that, overall, there are strong Information Technology General Controls in place.	OUTCOME
MEDIUM	<p>F8 Related party transactions and disclosures The Shire is subject to the requirements of AASB 124 Related Party Disclosures (AASB 124) as they prepare general purpose financial statements. AASB 124 requires the disclosures of key management personnel compensation, elected members remuneration and other transactions and balances with related parties.</p>	Based on the work performed, we are satisfied that related party transactions were all conducted at arm's length and have been appropriately disclosed in the financial report.	OUTCOME

2. Audit risk and focus areas (continued)

	AUDIT FOCUS AREA	AUDIT CONCLUSION																												
MEDIUM	<p>F9 Local government reform changes As communicated in our Audit Strategy Memorandum (ASM), the Local Government Reform project is currently underway. On review of the developments arising from the reform project during the year, we note that model financial statements have been developed by the Department of Local Government, Sport and Cultural Industries (DLGSC).</p>	Based on work performed, we note that the Shire of Exmouth is a Band/Class 4 local government and, thus, have adopted the model financial statements relevant to that Band/Class. There were no issues identified on adoption of the model financial statements.	OUTCOME																											
MEDIUM	<p>F10 Prior Year Management Letter Finding There was four Management Letter Finding identified in the audit for the financial year ended 30 June 2022. This was as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">FINDINGS</th> <th colspan="3">RATING</th> </tr> <tr> <th>Significant</th> <th>Moderate</th> <th>Minor</th> </tr> </thead> <tbody> <tr> <td>Reporting and Financial Control Issues</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fair value of Infrastructure Assets – Frequency of Valuations</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Fixed Asset Additions</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Fixed Asset Reconciliations</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Inventory Stocktake Reconciliation</td> <td></td> <td></td> <td>✓</td> </tr> </tbody> </table>	FINDINGS	RATING			Significant	Moderate	Minor	Reporting and Financial Control Issues				Fair value of Infrastructure Assets – Frequency of Valuations	✓			Fixed Asset Additions		✓		Fixed Asset Reconciliations		✓		Inventory Stocktake Reconciliation			✓	<p>Based on work performed, we are satisfied that there is no recurrence of the issues identified in the previous year and that:</p> <ul style="list-style-type: none"> • Infrastructure assets have been revalued by an appropriate valuer and the valuation performed has been adopted by the Shire and has been recognised in the financial report at fair value; • Fixed asset additions have been appropriately capitalised; • Fixed asset additions reconciliations have been performed; and • Inventory agrees to stock take reconciliations. 	OUTCOME
FINDINGS	RATING																													
	Significant	Moderate	Minor																											
Reporting and Financial Control Issues																														
Fair value of Infrastructure Assets – Frequency of Valuations	✓																													
Fixed Asset Additions		✓																												
Fixed Asset Reconciliations		✓																												
Inventory Stocktake Reconciliation			✓																											

3. Current year findings and recommendations

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

During our audit for the year ended 30 June 2023, we evaluated the effectiveness of controls on three levels – design, implementation and operating effectiveness. As part of this evaluation, we gained a detailed understanding of the policies and procedures over the following business cycles:

- purchases, payments and accounts payable;
- property, plant and equipment
- payroll; and
- bank and cash.

All issues identified during the course of our fieldwork are categorised and reported in accordance with the categories defined below. The categories are:

Significant	Those matters which pose significant business or financial risk, including financial reporting risk, to the client and should be addressed as a matter of urgency. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Moderate	Those matters which pose moderate business or financial risk, including financial reporting risk. This assessment is derived from considering the likelihood and consequence of the underlying risk.
Minor	Those matters which are procedural in nature or minor administrative failings. These could include minor accounting issues or relatively isolated control breakdowns which need to be brought to the attention of management.

Summary of Observations / Findings

We are pleased to report that, based on our observations and testing, **no significant, moderate or minor internal control deficiencies were identified**. As a result, we were able to place reliance on certain key controls for our audit.

4. Audit differences

Unadjusted misstatements

Australian Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no unadjusted misstatements identified during the audit.

Material adjusted misstatements identified during the audit

We have discussed with the management the below adjusted misstatements and are satisfied that these have been appropriately accounted for in the financial report for year ended 30 June 2023.

Account	Original balance	Actual balance	Variance
Revaluation Surplus	(87,059,645)	(85,459,645)	1,600,000
Infrastructure assets - Roads	(3,978,253)	(4,006,935)	(1,600,000)
<i>Being the adjustment to the valuation of Infrastructure – Roads to match the valuation report.</i>			
Other liabilities	(540,000)	(300,000)	240,000
Grants, subsidies and contributions	(4,743,254)	(4,983,254)	(240,000)
<i>Being the correction of grant received included in deferred income which should have been recognised on receipt in accordance with AASB 1058.</i>			

Nexia Perth Pty Ltd

Level 3, 88 William Street
Perth
Western Australia
6000

Tel: +61 8 9463 2463

www.nexia.com

- Nexia Australia is a member firm of the "Nexia International" network. Nexia International Limited does not deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes the word NEXIA) are not part of a worldwide partnership. Member firms of the Nexia International network are independently owned and operated. Nexia International Limited does not accept any responsibility for the commission of any act, or omission to act by, or the liabilities of, any of its members.
- Nexia International Limited does not accept liability for any loss arising from any action taken, or omission, on the basis of the content in this report or any documentation and external links provided.
- The trade marks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.
- References to Nexia or Nexia International are to Nexia International Limited or to the "Nexia International" network of firms, as the context may dictate.
- For more information, visit www.nexia.com.



Our Ref: 7931

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

Mr Ben Lewis
Chief Executive Officer
Shire of Exmouth
PO Box 21
EXMOUTH WA 6707

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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

Email: blewis@exmouth.wa.gov.au

Dear Mr Lewis

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

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

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 14 November 2023.

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

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

Feel free to contact me on 6557 7534 if you would like to discuss these matters further.

Yours faithfully

Mikey Fiorucci
Director
Financial Audit
6 December 2023

Attach