



SHIRE OF EXMOUTH

ANNUAL REPORT

FOR THE FINANCIAL YEAR 2018 / 2019



Welcome to the Shire of Exmouth's 2018/19 Annual Report at the conclusion of a year in which we've made significant progress on advancing our community and transforming our town.

– Cr Matthew Niikkula, Shire President

Shire of Exmouth
PO Box 21, 2 Truscott Crescent
EXMOUTH WA 6707

Phone: (08) 9949 3000

Fax: (08) 9949 3050

Email: info@exmouth.wa.gov.au

www.facebook.com/shireofexmouth

www.exmouth.wa.gov.au



“ The Shire of Exmouth is situated 1,270km north of Perth, on the tip of the North West Cape in Western Australia.

Exmouth is the gateway to the World Heritage Listed Ningaloo Coast, including the pristine Ningaloo Reef, Australia's largest fringing coral reef, and the rugged and spectacular Cape Range National Park.

While it was first established to support operations of the Naval Communication Station, Harold E Holt, Exmouth's primary economic driver is tourism.

During the peak tourism season (April – October) Exmouth's resident population of 2,700 people balloons to more than 7,000 people.

Tourists travel to Exmouth to swim with the biggest fish in the sea, the iconic Whaleshark, snorkel on the Ningaloo Reef, relax on the pristine coastline, fish, camp and explore the Cape Range National Park.

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What is the Annual Report?

“

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

Our Vision

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

Our Purpose

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

Our Strategic Objectives

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



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Message from the **Shire President** and **Chief Executive Officer**

In 2018/19 the staff, executive team and councillors built on the previous years strong foundations in compliance and governance and moved into improved service delivery and financial management whilst aligning our efforts with the themes of our Community Strategic Plan.

We highlight the following achievements and progress made in year one of our Corporate Business Plan against the themes of Economic, Environment, Social and Leadership.

ECONOMIC – Diversify and grow our economy in a manner that provides year-round employment.

- » The Shire influenced the establishment of the Tantabiddi Taskforce with the Departments of Transport and Biodiversity Conservation and Attractions to address the inadequacy of the Tantabiddi Boat Launching Facility and Yardie Creek Rd maintenance.
- » The Shire has also been working closely with Tourism WA, The Gascoyne Development Commission and Qantas to address the abandonment rate of cruise ships and affordability of airfares. To this end discounted peak season airfares were trailed at \$169 one way during peak periods with 90% uptake and the state has initiated feasibility reports and business case development for port infrastructure to address cruise shipping issues in

Exmouth.

- » The Ningaloo Aquarium and Discovery Centre continued to develop and attract increased numbers of visitors whilst also providing local Exmouth ratepayers with a world-class experience at no cost.
- » We proudly hosted the International Whaleshark Conference.

ENVIRONMENTAL – To Protect and value our unique natural and built environment as we grow our economy.

- » Completed Murat Road upgrades; road widening, intersection design, shared bike/pedestrian path, lighting and flood mitigation
- » Delivered the new Local Planning Scheme No.4 which supersedes previous Town Planning Scheme No.3 from September 1999.
- » Delivered the Shire's first Local Planning Strategy which was a precursor for the Local Planning Scheme.
- » Developed partnerships with the Department of Biodiversity Conservation and Attraction as we jointly manage and care for the Jurabi and Bundegi Coastal Parks.
- » Developed relationships with the Ningaloo Coast World Heritage Committee to ensure the World Heritage Area continues to be able to sustain our economy.
- » Investigated options to improve our waste management practices given the changing nature of markets for recyclable products.

SOCIAL – To be a vibrant, passionate and safe community valuing our natural environment and unique heritage.

- » The shire developed new funding streams for clubs and community groups whilst also developing a community Volunteer and Sporting Awards event to recognize and honour outstanding achievements by community groups and volunteers.
- » Developed new policy that provides assistance to clubs seeking external funding and ensuring our self-supporting loan fund is available for clubs to access and grow.
- » Staff also improved funding and support for local events and we enabled the Ningaloo Opera experience when we hosted the WA Opera under the stars at the Ningaloo Centre.

We are particularly proud of our achievement in relation to improving our streetscapes, having planted over 100 mature trees, installed main street banners, landscaped garden beds and repaired footpaths.

Matthew Niikkula
Shire President

LEADERSHIP – To provide open and transparent and accountable leadership working with our community.

The staff and Council continue to strive for excellence in relation to compliance and have set ourselves very high standards in relation to financial and governance compliance and this has been formally recognized by the Department of Local Government.

We conducted our first community perception survey to understand what is important to our community and how we are perceived in addressing community priorities.

These findings now drive our decision making and resource allocation.

We take this opportunity to thank all of the staff, as well as Councillors, and commend them for their community-first approach to service delivery, and we look forward to building on our efforts to date.

Cameron Woods
Chief Executive Officer



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Our Council

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

Members who have been elected to represent the community meet regularly to make decisions on matters concerning the Council and to provide guidance to the Chief Executive Officer on community priorities and policy.

Elected Member's during the review period



Cr Matthew Niikkula

Position : Shire President
Term Expires : 2021



Cr Heather Lake

Position : Councillor
Term Expires : 2019



Cr Gary Mounsey

Position : Deputy Shire President
Term Expires : 2021



Cr Mark Lucas

Position : Councillor
Term Expires : 2019



Cr Ben Dixon

Position : Councillor
Term Expires : 2021



Cr Gavin Penfold

Position : Councillor
Term Expires : 2019



“ To be a community that provides inclusion, connection, participation and wellbeing within our community.

Opportunities for choice



Elected Member's **Attendance**

DATE	TYPE OF MEETING	PRESIDENT NIIKKULA	DEPUTY PRESIDENT MOUNSEY	CR DIXON	CR LAKE	CR LUCAS	CR PENFOLD
25.07.2018	SCM	Attended	Attended	Attended	Attended	Attended	Attended
26.07.2018	OCM	Attended	Attended	Attended	Attended	Attended	Attended
23.08.2018	OCM	Attended	Attended	Attended	Attended	Attended	Attended
30.08.2018	SCM	Attended	Attended	Attended	Attended	Apology	Attended
27.09.2018	OCM	Attended	Attended	Attended	Attended	Attended	Leave
25.10.2018	OCM	Attended	Attended	Attended	Attended	Attended	Attended
22.11.2018	OCM	Attended	Attended	Attended	Attended	Leave	Attended
13.12.2018	OCM	Attended	Attended	Attended	Attended	Apology	Leave
28.02.2019	OCM	Attended	Attended	Attended	Attended	Attended	Attended
28.03.2019	OCM	Attended	Attended	Attended	Attended	Attended	Attended
02.05.2019	OCM	Attended	Leave	Attended	Attended	Attended	Attended
30.05.2019	OCM	Attended	Attended	Attended	Attended	Attended	Attended
27.06.2019	OCM	Attended	Attended	Attended	Attended	Attended	Attended

OCM - Ordinary Council Meeting

SCM - Special Council Meeting

ELECTED MEMBER	UNIT NAME AND DATE COMPLETED		
	EFFECTIVE COMMUNITY LEADERSHIP	CEO PERFORMANCE APPRAISALS	PROFESSIONALLY SPEAKING
Matthew Niikkula	02.11.2018	29.07.2018	
Ben Dixon	02.11.2018		
Gavin Penfold	02.11.2018		
Gary Mounsey	02.11.2018		
Heather Lake	02.11.2018		11.06.2019

About Council

The Shire of Exmouth was structured around four directorates during the 2018/19 financial year.

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

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Directorates

1

CAMERON WOODS
CHIEF EXECUTIVE OFFICER

EXECUTIVE SERVICES

- » Strategic Planning
- » Governance
- » Policy
- » Organizational Development
- » Economic Development

2

KEITH WOODWARD
DEPUTY CHIEF EXECUTIVE OFFICER

DEVELOPMENT SERVICES

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

3

MATTHEW BIRD
**EXECUTIVE MANAGER COMMERCIAL AND
COMMUNITY**

COMMERCIAL AND COMMUNITY

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

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KEVIN WILSON
**EXECUTIVE MANAGER CORPORATE
SERVICES**

CORPORATE SERVICES

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

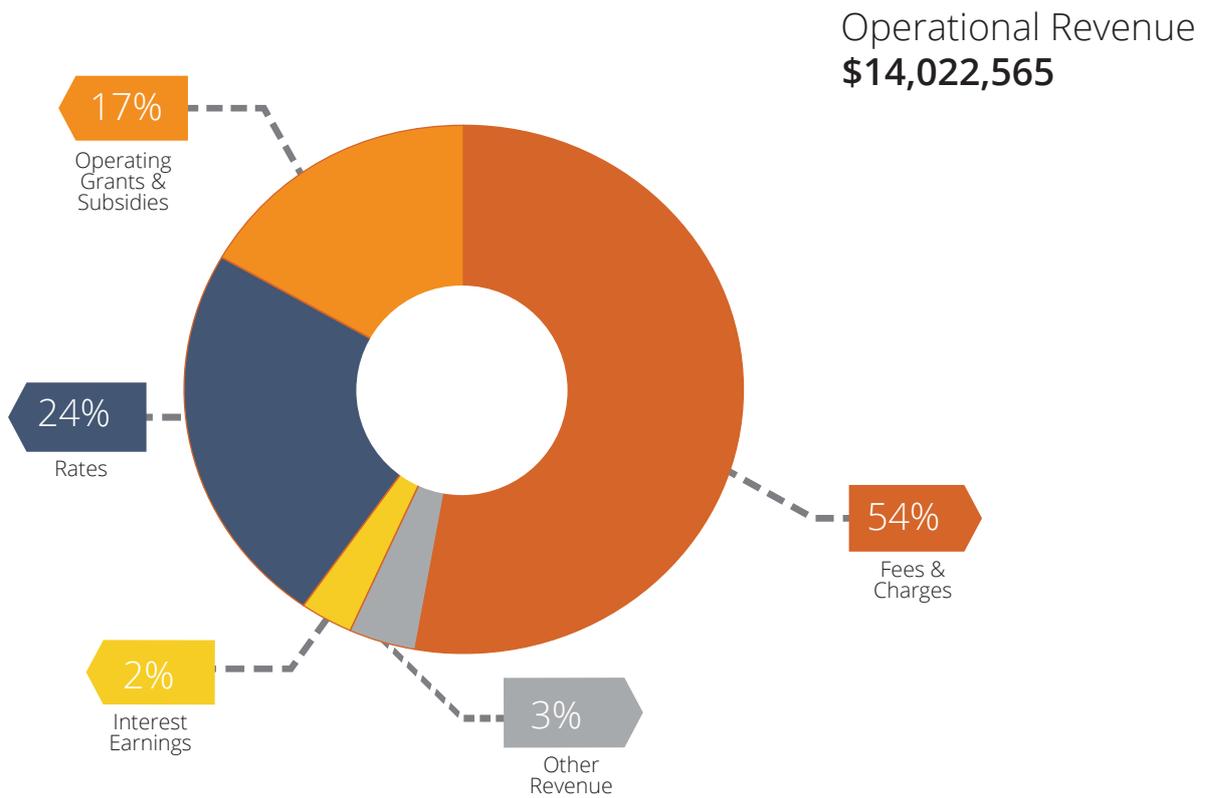
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Review Year 2018/19

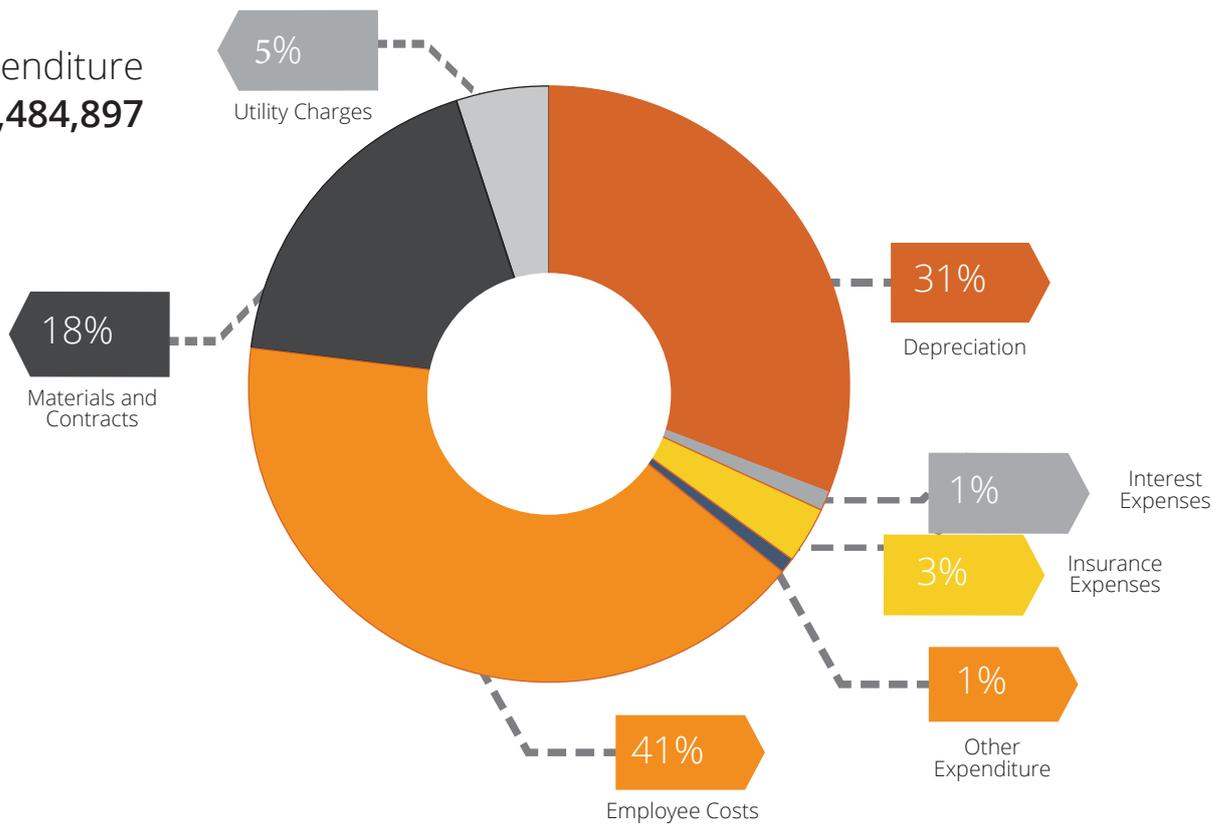
This report summarises the Shire of Exmouth's Progress during the 2018/2019 financial year toward attaining Goals, Outcomes and Strategies set out in the Shire's Strategic Community Plan.

Financial Statistics





Operating Expenditure
\$15,484,897



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Highlights 2018/2019

EXECUTIVE SERVICES

GOVERNANCE

- › 5 Citizenship Ceremonies
- › 11 Ordinary Council Meetings
- › 2 Special Council Meetings

HUMAN RESOURCES

Fair Work Commission **approved the Shire of Exmouth's Enterprise Agreement**, effective from 23 May 2019

- › New starters: 17 – Resignations: 15

STAFF TRAINING

- › Equal Employment Opportunity and Workplace Behaviours Equal Opportunity Management Policy
- › Discrimination, Harassment and Bullying Management Policy
- › Grievance, Investigations and Resolution Policy
- › Manual Task Awareness.
- › OHS Roles and Responsibilities
- › Understanding Local Government and Conflicts of Interest.



DEVELOPMENT SERVICES

HEALTH

- ▶ 90 Inspections Completed
- ▶ 15 information sessions on asbestos risks and relevant legislative requirements
- ▶ 200 recreational, drinking water and aquatic facility premises sampled from
- ▶ 36 temporary food businesses processed
- ▶ 6 new food businesses
- ▶ 9 Events approved

TOWN PLANNING

- ▶ Simplified Planning Framework by revoking 19 local planning policies;
- ▶ Introduced development guidelines for the Exmouth Boat harbour in collaboration with Department of Transport;
- ▶ Introduced new exemptions policy in collaboration with Department of Planning, Lands and Heritage, paving the way for recycling of drink containers and the container deposit scheme due to commence July 2020.

LAW AND ORDER

- ▶ 62 illegal camping infringements
- ▶ Impounding fees are down 26.28%
- ▶ State Risk Hazard Assessment Local Level final report submitted and has been recognized as one of the, if not the best in the State
- ▶ New VFBF Shed capital grant completed and acquitted \$150,000.00 – 2018/19

Opportunities for choice



COMMERCIAL & COMMUNITY

ENGINEERING AND PARKS AND GARDEN SERVICES

- ▶ 400 tonne of landscaping rock hand placed in 934m² of centre islands
- ▶ 530m³ of green waste mulched from cyclone verge clean-up available for residents free of charge
- ▶ 800 tonne sand mechanically removed from Tantabiddi Boat ramp
- ▶ 5000 tonne of fill delivered to waste site
- ▶ 950m² of footpath repairs
- ▶ 100+ new trees planted
- ▶ General Road Maintenance \$225,210
- ▶ Murat Road Capital Works \$1,734,875
- ▶ Yardie Creek Road upgrades \$164,560

AVIATION

- ▶ Learmonth airport processed 86,000 pax in 2018/2019



SWIMMING POOL

12,707 people attended the Paltridge Memorial Swimming Pool in 2018/2019

COMMUNITY DEVELOPMENT

Provided \$76,000 in support to local community and sporting groups

- ▶ ANZAC Day/Remembrance Day ceremonies
- ▶ WA Opera
- ▶ State Collection Freighting Ideas Exhibition
- ▶ Pujiman Exhibition
- ▶ Taste of Ireland Show
- ▶ Opening of the Ningaloo Aquarium and Discovery Centre
- ▶ Installation of 13 new tanks in the Aquarium
- ▶ Cyclone Vance 20th Anniversary morning tea
- ▶ Shire of Exmouth 2019 Community Volunteer and Sporting Awards Night

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Statutory Reporting

Disability Access & Inclusion Plan (DAIP)

Ongoing implementation of the Shire's Disability Access and Inclusion Plan (DAIP) took place during the year 2018-2019.

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

Major initiatives implemented this year included the construction of a new cross over on Murat Road to the Ningaloo Centre and the upgrade of major arterial footpaths connecting residential areas to the town centre and Ningaloo Centre.

The Shire continued to encourage the use of universal methods of consultation that meet the needs of people with disabilities in 2018/19. DAIP strategies were implemented during community consultation undertaken when delivering a range of community engagement workshops.

More access and inclusion initiatives have been budgeted for in 2019/20 financial year including the installation of a ramp access from Murat Road footpaths to the main entry doors of the Ningaloo Centre.

Strategic Community Plan: Exmouth 2030

In 2018/19 the Shire of Exmouth began a major review of its Strategic Community Plan, Exmouth 2030.

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

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

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

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

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

State Records Act

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

The Records Keeping Plan details all record keeping practices across the organisation and incorporates legal requirements set by State Records.

The Shire's records staff undertake record keeping training for all staff on an as-needs basis following a formal induction process. Every staff member attends a mandatory record-keeping induction upon commencing with the organisation.



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Statement of Salaries

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

DATE	2016	2017	2018	2019
100,000 - 109,999	5	4	1	
110,000 - 119,999			1	2
120,000 - 129,999				1
130,000 - 139,999	2	2	1	
140,000 - 149,999				
150,000 - 159,999	1	1	1	1
160,000 - 169,999				
170,000 - 179,999				
180,000 - 189,999		1	1	1
TOTAL	8	8	5	5

National Competition Policy

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

The National Competition Policy itself concluded in 2005/06 and has been succeeded by Australia's National Reform Agenda, which is an addition to, and continuation of, the National Competition Policy reforms.

The CPA (as amended 13 April 2007) sets out nominated principles from the agreement that now applies to local government.

The provisions of the CPA require local government to report annually on implementation, application and effects of Competition Policy. Competition Policy does not require contracting out or competitive tendering.

It does not preclude a local government from continuing to subsidise its business activities from general revenue, nor does it require privatisation of government functions. It does require local

governments to identify significant business activities and apply competitive disciplines to those businesses which compete with the private sector.

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

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

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

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

Register of Complaints

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

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

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

There were no complaints received pursuant to s5.121 of the *Local Government Act 1995* by the Shire of Exmouth during the 2018/19 reporting period.

Freedom of Information

During the 2017/18 financial year, the Shire of Exmouth received three requests for information under the *Freedom of Information Act 1992*, which were all finalised within statutory timelines.

Financial Report



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

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COMMUNITY VISION

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

Principal place of business:
2 Truscott Crescent
EXMOUTH WA 6707

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Exmouth for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Exmouth at 30 June 2019 and the results of the operations for the financial year ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 20th day of November 2019



Chief Executive Officer

Cameron Woods

Name of Chief Executive Officer



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

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

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

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



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

	NOTE	2019 Actual \$	2019 Budget \$	Restated 2018 Actual \$
Revenue				
	2(a)			
Governance		171,168	8,200	16,427
General purpose funding		5,536,439	4,459,276	5,256,879
Law, order, public safety		52,571	41,570	56,894
Health		51,170	39,622	36,544
Education and welfare		2,612	1,600	31,822
Housing		64,333	59,932	155,095
Community amenities		1,260,703	1,202,223	1,169,505
Recreation and culture		1,000,814	811,178	556,129
Transport		5,447,375	5,244,500	5,360,526
Economic services		217,183	239,377	225,084
Other property and services		218,197	17,830	99,403
		<u>14,022,565</u>	<u>12,125,308</u>	<u>12,964,308</u>
Expenses				
	2(b)			
Governance		(812,660)	(801,710)	(880,939)
General purpose funding		(144,884)	(125,436)	(71,816)
Law, order, public safety		(450,626)	(402,714)	(473,282)
Health		(221,628)	(162,194)	(187,375)
Education and welfare		(80,029)	(87,179)	(166,400)
Housing		(31,692)	32,724	0
Community amenities		(1,752,352)	(2,004,892)	(1,791,782)
Recreation and culture		(4,883,144)	(5,297,115)	(4,968,376)
Transport		(6,402,969)	(5,222,169)	(6,310,585)
Economic services		(460,522)	(559,480)	(645,487)
Other property and services		(161,013)	13,184	0
		<u>(15,401,519)</u>	<u>(14,616,981)</u>	<u>(15,496,042)</u>
Finance Costs				
	2(b)			
Housing		(32,143)	(32,724)	(40,497)
Community amenities		(7,461)	(7,519)	(10,794)
Recreation and culture		(31,055)	(31,109)	(36,335)
Other property and services		(12,719)	(12,777)	(14,605)
		<u>(83,378)</u>	<u>(84,129)</u>	<u>(102,231)</u>
		<u>(1,462,332)</u>	<u>(2,575,802)</u>	<u>(2,633,965)</u>
Non-operating grants, subsidies and contributions	2(a)	4,404,648	4,141,718	2,664,794
Profit on disposal of assets	10(a)	10,717	6,939	0
(Loss) on disposal of assets	10(a)	(39,403)	(179,979)	0
		<u>4,375,962</u>	<u>3,968,678</u>	<u>2,664,794</u>
Net result for the period		2,913,630	1,392,876	30,829
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Total comprehensive income for the period		2,913,630	1,392,876	12,503,598

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 26 to these financial statements.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue

Grant Revenue

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

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

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 22.

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

2. REVENUE AND EXPENSES

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

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

Interest earnings

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

(b) Expenses

Auditors remuneration

	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
- Audit of the Annual Financial Report	47,000	46,000	22,968
- Other services	30,417	17,000	21,620
	<u>77,417</u>	<u>63,000</u>	<u>44,588</u>

Interest expenses (finance costs)

Borrowings (refer Note 13(b))	83,378	84,129	102,231
	<u>83,378</u>	<u>84,129</u>	<u>102,231</u>

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

3. CASH AND CASH EQUIVALENTS

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

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2018		2018		2018	
	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Budget Closing Balance	Actual Opening Balance	Actual Transfer	Actual Closing Balance	Budget Opening Balance	Budget Transfer	Actual Opening Balance	Actual Transfer	Actual Closing Balance		
(a) Reserves cash backed - Leave Reserve	255,275	432,835	688,110	255,275	3,817	0	250,943	4,332	255,275	259,082	0	250,943	4,332	255,275		
(b) Aviation Reserve	1,173,441	171,159	1,244,600	1,173,441	17,545	(215,000)	1,153,526	19,915	1,173,441	975,986	0	1,153,526	19,915	1,173,441		
(c) Building Infrastructure Reserve	369,174	259,774	628,948	369,174	5,520	0	362,909	6,265	369,174	374,694	0	362,909	6,265	369,174		
(d) Community Development Fund Reserve	1,659,472	40,284	1,360,721	1,659,472	24,807	(40,000)	1,729,611	29,861	1,659,472	1,644,279	(100,000)	1,729,611	29,861	1,659,472		
(e) Community Interest Free Loans Reserve	390,299	9,471	339,770	390,299	5,836	(60,000)	383,675	6,624	390,299	336,135	0	383,675	6,624	390,299		
(f) Insurance/Natural Disasters Reserve	176,386	4,670	181,056	176,386	2,637	0	173,393	2,993	176,386	179,023	0	173,393	2,993	176,386		
(g) Marina Canal Reserve (Specified Area Rates)	255,079	53,703	0	255,079	49,825	0	33,617	221,462	255,079	304,904	0	33,617	221,462	255,079		
(h) Marina Village Asset Replace & Preservation Reserve	5,986	26,926	32,912	5,986	26,316	0	5,884	102	5,986	32,302	0	5,884	102	5,986		
(i) Ningaloo Centre Reserve	0	253,095	0	0	150,000	0	0	0	0	150,000	0	0	0	0		
(j) Plant Reserve	719,476	614,842	984,318	719,476	350,900	(350,000)	707,265	12,211	719,476	720,376	0	707,265	12,211	719,476		
(k) Public Radio Infrastructure Reserve	0	5,103	0	0	5,000	0	0	0	0	5,000	0	0	0	0		
(l) Rehabilitation Reserve	204,013	45,402	249,415	204,013	3,050	0	207,063	3,462	204,013	207,063	0	207,063	3,462	204,013		
(m) Roads Reserve	0	586,492	0	0	280,700	0	0	0	0	280,700	0	0	0	0		
(n) Shire Staff Housing Reserve	34,016	100,901	134,917	34,016	509	0	33,439	577	34,016	34,525	0	33,439	577	34,016		
(o) Swimming Pool Reserve	430,562	111,400	541,962	430,562	6,738	0	432,265	7,463	430,562	437,300	(9,166)	432,265	7,463	430,562		
(p) Town Planning Scheme Reserve	21,063	558	21,621	21,063	315	0	20,705	358	21,063	21,378	0	20,705	358	21,063		
(q) Waste Management Reserve	648,924	413,519	1,062,443	648,924	104,094	(101,000)	652,018	379,745	648,924	652,018	0	652,018	379,745	648,924		
(r) Unspent Grants & Contributions	94,284	225,424	(319,708)	94,284	0	(94,284)	0	0	94,284	0	0	271,842	1,647	(179,205)		
(s) Land Acquisition & Disposal Reserve	0	717,892	0	0	0	0	0	0	0	0	0	0	0	0		
(t) Mosquito Management Reserve	0	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0		
	6,437,450	4,083,460	(1,168,753)	6,437,450	1,037,609	(860,284)	6,028,804	687,017	6,437,450	6,614,775	(288,371)	6,028,804	687,017	6,437,450		

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Leave Reserve	Ongoing	To be used for annual and long service leave requirements
Aviation Reserve	Ongoing	To be used to fund aviation requirements
Building Infrastructure Reserve	Ongoing	To be used for the development, preservation and management of building infrastructure within the Shire
Community Development Fund Reserve	Ongoing	To be used to fund major community development initiatives
Community Interest Free Loans Reserve	Ongoing	To be used to support major community development projects
Insurance/Natural Disasters Reserve	Ongoing	To be used for the purpose of funding insurance claims where the excess is higher than the cost of reprints in addition to any weather related insurance, WANDARRA claims.
Marina Canal Reserve (Specified Area Rates)	Ongoing	To be used for the purpose of funding future dredging costs as well as environmental water control and maintenance of canals. These funds were derived from levying a Specified Area Rate titled Marina Specified Area Rate
Marina Village Asset Replace & Preservation Reserve	Ongoing	To be used for the preservation and maintenance of infrastructure related to the Exmouth Marina Village
Ningaloo Centre Reserve	Ongoing	To be used for the preservation of the Ningaloo Centre
Plant Reserve	Ongoing	To be used for the purchase of major plant and equipment
Public Radio Infrastructure Reserve	Ongoing	To be used to maintain broadcasting infrastructure
Rehabilitation Reserve	Ongoing	To be used to manage the funds associated with the environmental rehabilitation of the sand and gravel pits within the Shire of Exmouth
Roads Reserve	Ongoing	To be used for the preservation and maintenance of Roads
Shire Staff Housing Reserve	Ongoing	To be used to fund housing for Shire Staff
Swimming Pool Reserve	Ongoing	To be used to fund Swimming Pool Upgrades
Town Planning Scheme Reserve	Ongoing	To be used for the purpose of funding a review of the Town Planning Scheme
Waste Management Reserve	Ongoing	To be used to fund operational costs of Refuse Site including implementation of post closure plan
Unspent Grants & Contributions	Ongoing	To be used for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties
Land Acquisition & Disposal Reserve	Ongoing	To be used to fund the acquisition and disposal of Shire owned land & Buildings
Mosquito Management Reserve	Ongoing	To be used to access funds when mosquito-borne disease/nuisance is greater than normal.
Tourism Development Fund	Ongoing	To be used to fund the development and implementation of initiatives to achieve the strategic tourism and economic development objectives of the Shire.

5. TRADE RECEIVABLES

Current

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

Non-current

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

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

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

Previous accounting policy: impairment of trade receivables

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

Classification and subsequent measurement

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

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

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

6. INVENTORIES

Current

Fuel, oil and materials on hand

Non-current

Land held for resale - cost

Cost of acquisition

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

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

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

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

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

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

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

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

Other current assets

Accrued Revenue

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

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Non-current assets held for sale

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

Non-current assets held for sale (Continued)

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

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

SHIRE OF EXMOUTH
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8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

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

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

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

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

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

SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Independent valuation	01 June 2018	Assessment of remaining useful life, replacement costs and considered the following; construction date, visual condition, evidence of repairs or capital works and surrounding environmental factors
Infrastructure - other	3	Cost approach using depreciated replacement cost	Independent valuation	01 June 2018	Assessment of remaining useful life, replacement costs and considered the following; construction date, visual condition, evidence of repairs or capital works and surrounding environmental factors

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

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

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

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

(a) Disposals of Assets

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

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

The following assets were disposed of during the year.

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

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

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

Revision of depreciation calculations

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

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

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

Depreciation (Continued)

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

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

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

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF EXMOUTH
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11. REVALUATION SURPLUS

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

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.
(a) Adjustment made to prior year to revaluation decrement to correct duplicated assets from the revaluation done in 2017/18.

12. TRADE AND OTHER PAYABLES

Current

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

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

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

SHIRE OF EXMOUTH
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13. INFORMATION ON BORROWINGS

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

(b) Repayments - Borrowings

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

* WA Treasury Corporation

SHIRE OF EXMOUTH
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13. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

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

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

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Provision for Gratuity	Total
	\$	\$	\$	\$
Opening balance at 1 July 2018				
Current provisions	476,498	228,844	74,440	779,782
Non-current provisions	0	139,822	0	139,822
	476,498	368,666	74,440	919,604
Additional provision	19,586	123,739	(14,245)	143,325
Balance at 30 June 2019	496,084	492,405	60,195	1,062,929
Comprises				
Current	496,084	402,627	60,195	958,906
Non-current	0	89,778	0	89,778
	496,084	492,405	60,195	1,048,684

	2019	2018
	\$	\$
Amounts are expected to be settled on the following basis:		
Less than 12 months after the reporting date	850,278	705,342
More than 12 months from reporting date	198,406	214,262
	1,048,684	919,604

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Provisions

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

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

Reconciliation of Net Cash Provided By Operating Activities to Net Result

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

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

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

17 CONTINGENT LIABILITIES

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

18. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

	2019	2018
	\$	\$
	404,046	189,325
	404,046	189,325

Payable:

- not later than one year

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

(b) Operating Lease Commitments

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

Payable:

- not later than one year

- later than one year but not later than five years

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

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

Key Management Personnel (KMP) Compensation Disclosure

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

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

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

Trade and other payables	14,788	19,499
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Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

20. MAJOR LAND TRANSACTIONS

(a) Details

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

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

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

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

(c) Expected future cash flows

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

(d) Assets and liabilities

Land held for resale included within Note 6

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

21. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

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

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

22. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
General purpose funding							
Financial Assistance Grant	0	1,836,082	(1,836,082)	0	1,892,207	(1,892,207)	0
Law, order, public safety							
DEC - Bushfire Mitigation Fund	0	28,875	(28,875)	0	8,547	(8,547)	0
FESA - Bushfire & SES	9,625	11,496	(21,121)	0	7,706	(7,706)	0
DFES - Risk Assessment Funding				0	4,000	(4,000)	0
FESA - Bush Fire Brigade Shed				0	151,848	(151,848)	0
Health							
Dept of Planning	21,761		(21,761)	0			0
Community amenities							
DWER - Recycling Program				0	67,300		67,300
Recreation and culture							
RFR - Ningaloo Centre		1,820,000	(1,820,000)	0	1,000,000	(1,000,000)	0
GDC Public Art Strategy	18,387		(18,387)	0			0
Marine Breakwater Nav Aid	25,850		(25,850)	0			0
Youth Leadership Program	11,010		(11,010)	0			0
Youth Program (YAE)	1,112		(1,112)	0			0
BHP Youth Program	1,885		(1,885)	0			0
DSR - Community Pool Grant	32,195		(32,195)	0	13,640	(13,640)	0
BHP - 50th Anniversary Event	50,000		(50,000)	0			0
Quadrant - 50th Anniversary Event	50,000		(50,000)	0			0
Festival Australia - 50th Anniversary	36,800		(36,800)	0			0
Festival Australia - 50th Anniversary	0	50,000	(50,000)	0			0
GDC Master Trails Project		24,170	(13,100)	11,070	8,320	(19,390)	0
DLGC Club Development Scheme		20,000	(20,000)	0			0
GDC 50th Anniversary		135,000	(135,000)	0			0
CSRFF - Swimming Pool Grant		32,000	(32,000)	0			0
Exmouth Ammateur Swimming Club		18,182	(18,182)	0			0
GDC Swimming Pool Grant		105,886	(105,886)	0			0
Event Contributions		2,075	(2,075)	0	23,682	(23,682)	0
Ningaloo Centre Commonwealth				0	300,000	(300,000)	0
Recreational Boating - Tantabiddie				0	30,636	(30,636)	0
DSCI - Regional Every Club				0	15,000	(6,680)	8,320
BHP Sport & Rec Community Program				0	225,000		225,000
Sponsorships Various				0	6,636	(6,636)	0
DOT Bundegi Boat Ramp				0	116,985	(116,985)	0
Transport							
MRWA Direct Grant		55,980	(55,980)	0	95,419	(95,419)	0
Yardie Homestead		10,000	(10,000)	0	0	0	0
Commonwealth RTR Grant		387,354	(387,354)	0	192,018	(192,018)	0
MRWA Murat RRG		66,700	(66,700)	0	94,317	(94,317)	0
MRWA Yardie Creek		180,000	(180,000)	0	133,400	(133,400)	0
MRWA Ningaloo Access Road		12,600		12,600		(12,600)	0
MRWA Murat Road - SIF		42,072	(42,072)	0	1,743,490	(1,503,490)	240,000
DOT Contribution for Mortiss St				0	605,291	(605,291)	0
Economic services							
Landscape Services	13,217		(13,217)	0	0	0	0
Tourism WA Cruise Destination		5,000	(500)	4,500	0	(4,500)	0
DPIRD - Tourism Program				0	30,000		30,000
Other property and services							
Diesel Fuel Subsidy		16,330	(16,330)	0	21,507	(21,507)	0
Total	271,842	4,859,802	(5,103,474)	28,170	6,786,949	(6,244,499)	570,620

Notes:

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

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

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

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

23. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Interim Rate	Budget Total Revenue	Budget Total Revenue	Actual Total Revenue			
Gross rental valuations															
General		0.0722	1,165	29,946,749	2,161,785	(7,113)	(9,786)	2,144,886	2,162,155	5,000	2,167,155	2,120,512			
Marina Developed		0.0993	93	3,280,860	325,192	5,000	413	330,605	325,789	0	325,789	322,507			
Holiday Homes		0.1021	64	1,623,700	168,568	1,695	190	170,453	165,780	0	165,780	166,876			
Vacant Land		0.1217	228	3,227,450	390,590	6,785	829	398,204	392,781	0	392,781	389,754			
GRV Sub Total			1,550	38,078,759	3,046,135	6,367	(8,354)	3,044,148	3,046,505	5,000	3,051,505	2,999,649			
Unimproved valuations															
Mining		0.1568	12	300,515	47,121	3,763	(490)	50,394	47,121	1,000	48,121	46,892			
Rural		0.0748	7	580,880	45,541	(980)	(1,857)	42,704	45,541	0	45,541	42,388			
UV Sub Total			19	881,395	92,662	2,783	(2,347)	93,098	92,662	1,000	93,662	89,280			
Sub-Total			1,569	38,960,154	3,138,797	9,150	(10,701)	3,137,246	3,138,167	6,000	3,145,167	3,088,929			
Minimum payment															
Minimum															
Minimum \$															
Gross rental valuations															
General		910	66	527,130	61,880	0	0	61,880	60,060	0	60,060	61,200			
Marina Developed		910	1	0	910	0	0	910	910	0	910	1,800			
Holiday Homes		910	0	0	0	0	0	0	0	0	0	0			
Vacant Land		910	177	893,460	160,160	0	0	160,160	161,070	0	161,070	159,300			
GRV Sub Total			244	1,420,590	222,950	0	0	222,950	222,040	0	222,040	222,300			
Unimproved valuations															
Mining		500	18	23,912	9,000	0	0	9,000	9,000	0	9,000	3,692			
Rural		700	1	5,800	700	0	0	700	700	0	700	900			
UV Sub Total			19	29,712	9,700	0	0	9,700	9,700	0	9,700	4,592			
Sub-Total			263	1,450,302	232,650	0	0	232,650	231,740	0	231,740	226,892			
Discounts/concessions (refer Note 23(c))			1,832	40,410,456	3,371,447	9,150	(10,701)	3,369,896	3,370,907	6,000	3,376,907	3,315,821			
Total amount raised from general rate								(6,214)	(6,800)			(104,014)			
Specified Area Rate (refer Note 23(b))								3,363,682	3,370,107			3,211,807			
Totals								52,542	47,293			46,814			
								3,416,224	3,417,400			3,258,621			

SIGNIFICANT ACCOUNTING POLICIES

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

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

23. RATING INFORMATION (Continued)

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

Waivers or Concessions

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

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

23 RATING INFORMATION (Continued)

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

23. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

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

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

24. RATE SETTING STATEMENT INFORMATION

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

(a) Non-cash amounts excluded from operating activities

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

Adjustments to operating activities

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

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

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

Adjustments to net current assets

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

Net current assets used in the Rate Setting Statement

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

25. FINANCIAL RISK MANAGEMENT

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

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

The Shire does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

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

(a) Interest rate risk

Cash and cash equivalents

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

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

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

Sensitivity

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

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

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

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

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

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

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

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

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

25. FINANCIAL RISK MANAGEMENT (Continued)

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

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(d).

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

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

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26. TRUST FUNDS

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

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

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

27 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

28. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

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

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

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

(a) Classification and measurement

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

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

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

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

(b) Impairment

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

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

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

(a) Revenue from Contracts with Customers

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

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

(b) Leases

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

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

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

(c) Income For Not-For-Profit Entities

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

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

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

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

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30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

c) Rounding off figures

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

d) Comparative figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

i) Impairment of assets

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

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

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

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

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31. ACTIVITIES/PROGRAMS

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

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

32. FINANCIAL RATIOS

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

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Exmouth

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Exmouth which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

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

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

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

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

- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 32 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Exmouth for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



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