

SHIRE OF EXMOUTH



ANNUAL REPORT
2016/2017



Front Cover

Festival of Sports July 2016

The inaugural Festival of Sport attracted more than 400 participants to compete in a diverse program of sporting activities. The week-long event included sporting clinics, coaching sessions, traditional sports matches and competitions and social events. It was delivered by the Shire of Exmouth in partnership with Exmouth PCYC, Youth Action Exmouth and Department of Sport and Recreation.



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Contents

What is the Annual Report.....	2
From the Commissioner.....	3
From the Acting Chief Executive Officer	5
About Council.....	7
Directorates	7
Elected Members	8
Statistics Snapshots 2016/17	8
Highlights 2016/2017.....	10
Statutory Reporting	13
Financial Report	17

What is the Annual Report

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

From the Commissioner



I am unable to comment on the first six months of the year, due to the fact that I was only appointed as Commissioner in January 2017.

On 11 August 2016, Corruption and Crime Commission (CCC) officers executed a search warrant on the Shire offices in Exmouth, seizing a great deal of material. This was part of Operation Sarah, the Report on Matters of Serious Misconduct in the Shire of Exmouth. The report was tabled in the West Australian Parliament on 2 May 2017. It can be accessed from the CCC website www.ccc.wa.gov.au <<http://www.ccc.wa.gov.au>.

A large part of the CCC investigation related to a major project in the shire, the \$32m Ningaloo Centre, in particular the aquarium, which was to be key feature of the Centre. On 9 December 2016, the then Minister for Local Government, Paul Miles, served a notice calling on the Shire of Exmouth Councillors to show because why they should not be suspended. He subsequently recommended to the Governor of Western Australia that the shire president and councillors be suspended for six months and undergo training.

On 4 January 2017 the Governor of WA appointed me Commissioner of the Shire for a term of six months while at the same time suspending the Shire President and Councillors of the shire for the same period.

In accordance with Section 2.38(1) of the Local Government Act, the role of a Commissioner "... is to exercise the powers and discharge the duties of the Council of the Local Government and its Mayor or President."

Based on the information I received from shire officers on being appointed Commissioner as well as my own observations, I initiated an independent local government consultant to conduct the Compliance Audit Return (CAR) for the 2015/16 financial year. The review indicated that the standard of compliance overall was poor and that previous compliance audit returns that were conducted in house were inaccurate and lacked any real scrutiny of the CAR items. There were 20 items of non-compliance or partial non-compliance noted in the total 87 items included in the Compliance Return.

In my capacity as Commissioner, I worked with the Department of Local Government and Communities (DLGC) to initiate a Probity Audit into the shire in January, as well as endeavouring to reconstruct the records associated with the Ningaloo Centre. Further, the shire's external auditor in delivering its findings for the 15/16 financial year sent a management letter to the shire which expressed concern about the poor policy practice with procurement and the fact that the shire was being investigated by the CCC. An independent probity audit conducted by officers from DLGC subsequently confirmed severe deficiencies in procurement policies and use of corporate credit cards.

I am pleased to report that despite very significant challenges, the Ningaloo Centre was completed with a comprehensive business plan for the successful operation of the centre on a sustainable basis.

Other initiatives that were initiated under my stewardship as Commissioner included:

- The creation of the Exmouth Community Strategic Reference Group (ECSRG), to ensure greater transparency and accountability from the shire to the community. The ECSRG will also play a key role in developing the shire's new Integrated Strategic Plan as required under the *Local Government Act 1995*.
- A complete review of all shire policies to ensure that they are both modern and compliant with relevant legislation.

- The introduction of an alcohol free workplace and random alcohol and drug testing for all shire employees.
- Worked with the CEO to ensure a more efficient and effective shire operation. This has resulted in a new organisation structure.
- A major independent review of the shire's airport operations, including the Learmonth Domestic Airport and Heliport.
- An independent expert review into the Ningaloo Visitors' Centre.
- A comprehensive selection and recruitment process to find a new CEO. As a result Mr Cameron Woods was appointed on 6 June 2017.
- Approved the adoption of the shire budget for the 17/18 financial year in which there were no rate increases and minimal rises in fees and charges. The budget made provision for staff at the new Ningaloo Centre to enable it to function efficiently and effectively. It also included significant funding for a human resources and governance function which had previously been non-existent.

The Shire President and Councillors resigned in June, resulting in the Governor extending my term as Commissioner until the Local Government elections on 21 October 2017.

I am pleased to advise that the shire is now has a strong foundation, having developed comprehensive policies as well as implementing sound governance policies and practice with a very competent management team.

Strong interest has been shown by members of the community to serve on the council and I am confident that there will be a very motivated council of competent people following the election on 21 October.

I would like to take this opportunity to thank shire ratepayers and members of the Exmouth community for the opportunity to serve you as your Commissioner.

I wish the shire every success for the future. There are so many wonderful unique things about Exmouth and so much potential.

Ian Fletcher AM JP
Commissioner

From the Acting Chief Executive Officer

2017 was a challenging year for the Shire of Exmouth and its staff. It required careful management and consideration of risk and liability in relation to staff and council, ongoing investigations, the engagement of consultants and review of internal business practices and statutory processes.

Following the Corruption and Crime Commission investigation, suspension of Council and the appointment of a Commissioner, it was essential for the organisation to focus on reviewing and improving governance and compliance in order to restore State Government and local community trust in the Shire.


The Shire reviewed all aspects of its operations to ensure it was meeting its obligations under the Local Government Act and that Shire finances and assets were being managed responsibly and in the best interests of ratepayers.

In addition to a full probity audit, consultants were appointed to review major spending areas including airport operations and visitor servicing to ensure value for money was being achieved. All Shire policy and procedures were reviewed with the assistance of the Western Australian Local Government Association and a new organisational structure implemented.

At the same time, the Shire continued to carry out ordinary business and manage the Ningaloo Centre project, including a forensic audit of the project to establish actual expenditure and probable project costs and ensure acquisition compliance.

The demands on Shire staff during this period were considerable and I was fortunate to have the support of a dedicated and resilient group while steering the Shire through these difficult times.

Keith Woodward
Acting Chief Executive Officer

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

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

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

About Council

The Shire of Exmouth was structured around seven directorates for most of 2016-17:

- Executive Services
- Corporate Services
- Aviation Services
- Community Engagement
- Health and Building
- Town Planning
- Engineering Services

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

Mr Keith Woodward was appointed Acting Chief Executive Officer at the Special Council Meeting held on the 1 December 2016. During the following 6 months, a number of Executive Managers left the Shire of Exmouth. The below table lists the Shire Executive team including, where relevant, those staff members who acted in these positions.

Position	Officer	Acting Officer
Chief Executive Officer	Bill Price	Keith Woodward **
Executive Manager Corporate Services	Sue O'Toole	
Executive Manager Aviation Services	Jenny Kox	Clifton O'Toole
Executive Manager Community Engagement	Rogé Kempe	Jaci Cutler
Executive Manager Health and Building	Rob Manning	Carla Webster
Executive Manager Town Planning	Rhassel Mhasho	Mark Johnston
Executive Manger Engineering Services	Keith Woodward	Joanne Gordon

** On the 8 June 2017, Mr Cameron Woods was appointment the Shire of Exmouth Chief Executive Officer and Mr Keith Woodward was appointed Deputy Chief Executive Officer.

Directorates

Executive Services

Strategic Planning, Governance, Policy, Organisation Development and Economic Development.

Corporate Services

Administration Services, Financial Services, Records Management and Information Systems, Insurance and Risk Management, Cemetery, and Centrelink Agency.

Aviation Services

Airport Services, Aerodrome Services and Heliport Services.

Community Engagement

Community and Cultural Development, Community Infrastructure Planning, Youth and Senior support, Tourism and Promotions, Communications and PR, Festivals and Events, Disability Support, Ningaloo Centre, Library Services, Heritage and Grants.

Health and Building

Building Services, Environmental Health Services, Swimming Pool, Waste Management and Recycling.

Town Planning

Town Planning Services, Townscape, Reserves Management and Heritage.

Engineering Services

Transport, Roads, Footpaths, Parks and Recreations Grounds, Asset and Buildings, Maintenance, Infrastructure and Community, Amenities, Ranger and Emergency Services.

Elected Members

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

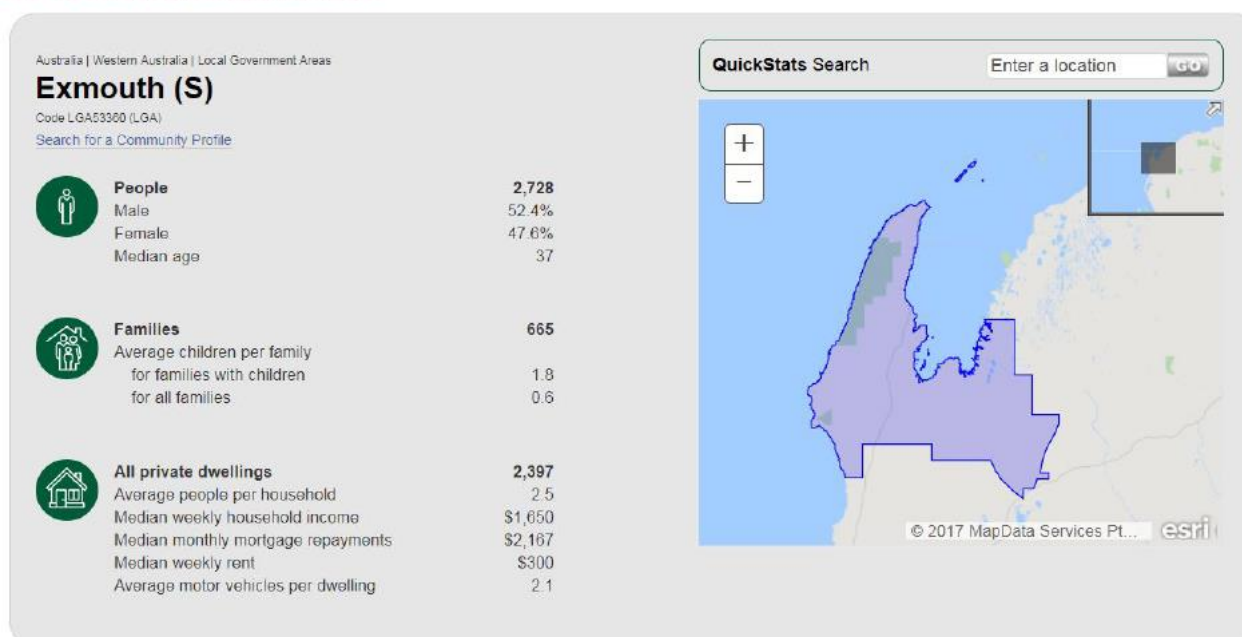
Councillor	Resigned
Turk Shales, Shire President	May 2017
Mick Hood, Deputy Shire President	May 2017
Bob Todd, Councillor	November 2016
Suzanne McHutchison, Councillor	May 2017
James Roscic, Councillor	June 2017
Graham Jones, Councillor	May 2017

The Governor of Western Australia appointed Ian Fletcher AM JP as Commissioner at the Shire of Exmouth for a term of six months commencing on 4 January, 2017.

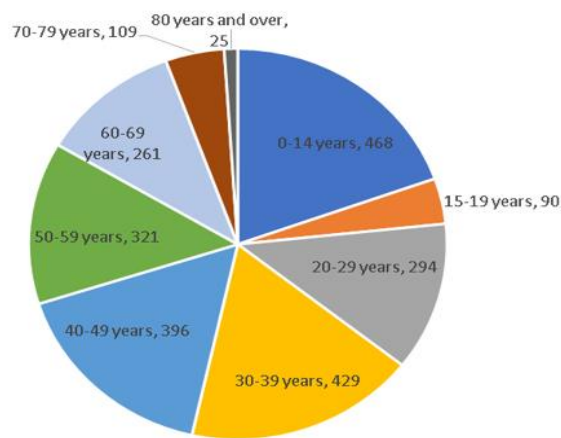
Statistics Snapshots 2016/17

Census Statistics

2016 Census QuickStats



Census Statistics (continued)



2016 census data

Financials Statistics

(Total operating revenue)

Rates	\$3,237,395
Operating Grants & Contributions	\$3,318,159
Fees & Charges	\$5,877,937
Interest Earnings	\$238,432
Other Revenue	\$9,149
Profit on Asset Disposals	\$157,486



Highlights 2016/2017

Economic

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

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

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



- ✓ Ningaloo Centre building
- ✓ Review Ningaloo Visitor Centre funding agreement and airport operations
- ✓ Processed 106 development applications

Social

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

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

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



- ✓ Trails Master Plan commenced
- ✓ Australia Day celebrations at the Paltridge Memorial Swimming Pool
- ✓ Youth Action Exmouth (YAE) program delivery
- ✓ Planning Exmouth 50 year celebrations

Environmental

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

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

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



- ✓ Received Waste Recycling Strategy
- ✓ Upgrade beach carparks
- ✓ Town beautification works
- ✓ Commenced review Town Planning scheme No. 4

Civic Leadership

To work together as custodians of new and future.

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

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



- ✓ Establishment of the Exmouth Strategic Community Reference Group
- ✓ Visit by Governor General, Peter Cosgrove and Lady Cosgrove
- ✓ Commenced review of the Integrated Strategic Plan
- ✓ Commenced review of Shire governance and legislative compliance

Going Forward in 2016/17

**Governance
training for
all newly
elected
Councillors**

**Review of
Integrated
Planning and
Reporting
documents**

**\$387K
bitumen road
resealing
program**

**\$268K
upgrade to
Yardie
Creek Road**

**\$ 1.8m
Murat Road
upgrade**

**Completion
of the
Ningaloo
Centre**

**Paltridge
Memorial
Swimming Pool
multi-purpose
community
room & store**

Statutory Reporting

State Records Act

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

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

National Competition Policy/Competitive Neutrality

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

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

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

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

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

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

- The Shire does not operate a business enterprise that has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or Public Financial Enterprise;
- The number of activities to which competitive neutrality principles have been considered but not applied in the reporting period is: One (1) - Learmonth Aviation Operations. A study into the operations of the Learmonth Aviation Operations concluded that competitive neutrality not

be applied to the Learmonth Aviation Operations. Council will continue to monitor the benefits of applying competitive neutrality on an ongoing basis.

- 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;

Disability Access & Inclusion Plan (DAIP)

Ongoing implementation of the Shire's Disability Access & Inclusion Plan (DAIP) took place during the year 2016-2017.

Shire's DAIP was reviewed last financial year to include Outcome 7- "*People with Disability have the same opportunities as other people to obtain and maintain employment with a public authority*". Council endorsed this in 2015-2016.

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.

Outcomes towards the Shire of Exmouth's Disability Access & Inclusion Plan for 2016/17

1. *People with disability have the same opportunities as other people to access the services of, and any events organised by, a public authority:*
 - Encouraged all Shire sponsored or endorsed events to be accessible and inclusive and utilised/ promoted the Accessible Events Checklist.
 - Shire Event Package includes the Accessible Events Checklist making it mandatory for groups/ individuals applying to run events in Exmouth.
 - Information is permanently available and regularly updated on the Shire's website 'Access & Inclusion' page. <http://www.exmouth.wa.gov.au/disability-access-and-inclusion.aspx>
 - Continued monitoring of DAIP to ensure health and building guidelines are circulated to agents/ contractors on as needs basis.
2. *People with disability have the same opportunities as other people to access the buildings and other facilities of a public authority:*
 - Learmonth Airport has had two upgrades; 1. Assistance handrails were fitted to all ordinary toilet cubicles 2. New signage was placed in the arrivals hall to indicate the location of disabled facilities for arriving passengers.
 - The construction of the Ningaloo Centre was completed in 2017. Constructed in accordance with Australian Standards, the Centre has been issued with a Certificate of Construction Compliance. The Centre currently includes ACROD parking bays, easy access ramps, ambulant public toilets and elevator. The Centre will undergo continual access evaluation to accommodate further needs.
 - The Shire maintains access to two beach wheelchairs available in two locations. Information on use is available on both Shire and Visitor Centre websites.

3. *People with disability receive information from a public authority in a format that will enable them to access the information as readily as other people are able to access it:*
 - The Shire provides information in electronic and hard copy formats. Information is available on the website, through social media platforms, monthly newsletter both direct and electronic, public notice and electronic information boards and at Shire public service desks.
4. *People with disability receive the same level and quality of service from the staff of a public authority as other people receive from the staff of that public authority:*
 - Strategies to raise community awareness of disability and access issues have been implemented.
 - Awareness around access issues is circulated via various Shire information sources consistently.
5. *People with disability have the same opportunities as other people to make complaints to a public authority:*
 - The Shire regularly communicates the various methods available for people with disability to provide feedback and comment. Methods include; in writing, via email, through website feedback forms, telephone or in person.
 - Shire policy outlines complaint handling procedure. The document is flagged and easily accessed by staff and included within staff induction checklists.
6. *People with disability have the same opportunities as other people to participate in any public consultation by a public authority:*
 - The Shire encouraged the use of universal methods of consultation that meet the needs of people with disabilities.
 - DIAP strategies were implemented during community consultation undertaken to develop the Shire's Strategic Community Plan. Public consultation, face to face workshops, online surveys and in-person surveys were utilised to engage all community groups.
7. *People with disability have the same opportunities as other people to obtain and maintain employment with a public authority:*
 - Shire maintains and reviews Equal Opportunity policy.
 - The Shire maintains inclusive employment processes.
 - Recruitment and induction processes include Equal Opportunity information and Shire policy.

Complaints or Minor Breaches

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.

No complaints pursuant to s5.121 of *the Local Government Act 1995* were made to the Shire of Exmouth during the 2016/17 reporting period.

Statement of Salaries

In bands of \$10,000 is the number of employees of the Shire entitled to an annual salary of \$100,000 or more

Salary Range (\$)	2017	2016	2015
100,000 - 109,999	4	5	6
110,000 - 119,999			
120,000 - 129,999			
130,000 - 139,999	2	2	1
140,000 - 149,999			
150,000 - 159,999	1	1	1
160,000 - 169,999			
170,000 - 179,999			
180,000 - 189,999	1		
TOTAL	8	8	8

Annual Financial Report

For the Year Ended

30 June 2017

Principal Place of Business
Shire of Exmouth
22 Truscott Crescent
EXMOUTH WA 6707

Shire of Exmouth

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

TABLE OF CONTENTS

		Page
Statement by Chief Executive Officer		2
Financial Statements		
Statement of Comprehensive Income by Nature or Type		3
Statement of Comprehensive Income by Program		4
Statement of Financial Position		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Rate Setting Statement		8
Notes to and Forming Part of the Financial Report		
	Note	
Significant Accounting Policies	1	9
Result from Ordinary Activities	2	18
- Expenses	2	18
- Revenues	2	20
Cash Assets	3	21
Receivables	4	21
Inventories	5	21
Property, Plant & Equipment	6	22
Infrastructure	7	22
Movement in Asset Carrying Amounts	8	23
Trade and Other Payables	9	25
Long Term Borrowings	10	25
Provisions	11	25
Reserves - Cash Backed	12	26
Reserves - Asset Revaluation	13	29
Notes to the Statement of Cash Flows	14	30
Capital & Leasing Commitments	15	31
Contingent Liabilities	16	31
Joint Ventures	17	32
Total Assets by Function & Activity	18	32
Financial Ratios	19	33
Trust Funds	20	34
Disposal of Assets	21	34
Budget Comparison - Current Position	22	35
Information on Borrowings	23	36
Rating Information	24	38
Specified Area Rate	25	39
Service Charges	26	39
Discounts, Incentives, Concessions & Write-Offs	27	39
Interest Charges and Instalments	28	40
Fees & Charges	29	40
Grant & Contribution Revenue	30	41
Councillors Remuneration	31	41
Employee Numbers	32	41
Economic Dependency	33	41
Major Land Transactions	34	42
Trading & Major Trading Undertakings	35	43
Post Balance Day Events	36	43
Aggregate Employment Entitlements	37	43
Related Party Transactions	38	44
Financial Risk Management	39	45
Financial Risk Management	40	45
Audit Report		49
Supplementary Ratio Information		51

Shire of Exmouth

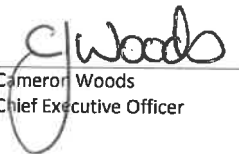
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Exmouth being the Annual Financial Report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire of Exmouth at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and regulations under that Act.

Signed on the ²⁸.....th day of February 2018


Cameron Woods
Chief Executive Officer

Shire of Exmouth

STATEMENT OF COMPREHENSIVE INCOME

By Nature or Type

For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
Rates	24	3,237,395	3,226,675	3,181,902
Operating Grants & Contributions	30	3,318,159	2,345,912	1,614,829
Service Charges	26	0	0	0
Fees & Charges	29	5,877,937	5,758,406	6,053,774
Interest Earnings	2(b)	238,432	159,935	291,608
Other Revenue		9,149	38,990	2,044,959
		<u>12,681,072</u>	<u>11,529,918</u>	<u>13,187,072</u>
Expenses				
Employee Costs		(5,791,390)	(6,270,261)	(5,353,874)
Materials and Contracts		(2,896,755)	(3,308,685)	(4,638,933)
Utility Charges		(609,711)	(740,694)	(646,375)
Depreciation on Non-current Assets	2(a)	(4,739,977)	(4,509,439)	(4,296,829)
Interest Expenses	23(a)	(62,399)	(106,244)	(72,721)
Insurance Expenses		(442,501)	(405,034)	(552,790)
Other Expenditure		(353,847)	(350,824)	(343,827)
		<u>(14,896,580)</u>	<u>(15,691,181)</u>	<u>(15,905,349)</u>
		<u>(2,215,508)</u>	<u>(4,161,263)</u>	<u>(2,718,277)</u>
Profit on Asset Disposals	21	157,486	404,276	212,448
Loss on Asset Disposals	21	(23,680)	(181,315)	(416,133)
Grants & Contributions for the Development of Assets	30	8,672,185	13,861,849	21,923,373
		<u>8,805,991</u>	<u>14,084,810</u>	<u>21,719,688</u>
NET RESULT		6,590,483	9,923,547	19,001,411
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	8(a)	4,391,934	0	(288,323)
Total Other Comprehensive Income		4,391,934	0	(288,323)
TOTAL COMPREHENSIVE INCOME		<u>10,982,417</u>	<u>9,923,547</u>	<u>18,713,088</u>

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

Shire of Exmouth

STATEMENT OF COMPREHENSIVE INCOME

By Program

For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Revenue				
General Purpose Funding		6,334,380	5,265,030	4,387,025
Governance		32,670	0	2,008
Law, Order, Public Safety		80,103	56,091	85,811
Health		46,330	40,570	37,401
Education and Welfare		30,101	30,798	30,010
Housing		106,228	88,384	124,646
Community Amenities		1,162,569	1,044,260	1,074,886
Recreation and Culture		365,721	504,351	724,778
Transport		4,268,557	4,220,960	6,347,045
Economic Services		182,061	217,244	255,043
Other Property and Services		72,352	62,230	118,421
		<u>12,681,072</u>	<u>11,529,918</u>	<u>13,187,074</u>
Expenses Excluding Finance Costs				
General Purpose Funding		(103,490)	(126,301)	(75,732)
Governance		(854,153)	(605,178)	(659,301)
Law, Order, Public Safety		(481,007)	(466,278)	(432,236)
Health		(199,355)	(245,769)	(247,925)
Education and Welfare		(127,295)	(90,322)	(122,551)
Housing		(60,561)	(43,504)	(62,399)
Community Amenities		(1,977,489)	(2,278,104)	(1,749,996)
Recreation & Culture		(3,735,734)	(4,578,446)	(3,838,123)
Transport		(6,500,127)	(6,393,972)	(7,792,365)
Economic Services		(763,495)	(744,894)	(701,844)
Other Property and Services		(31,475)	(12,169)	(150,158)
		<u>(14,834,181)</u>	<u>(15,584,937)</u>	<u>(15,832,630)</u>
Finance Costs				
Housing		(45,667)	(44,880)	(55,206)
Community Amenities		(297)	(5,991)	0
Recreation & Culture		(1,001)	(13,052)	0
Other Property and Services		(15,434)	(42,321)	(17,515)
		<u>(62,399)</u>	<u>(106,244)</u>	<u>(72,721)</u>
		<u>(2,215,508)</u>	<u>(4,161,263)</u>	<u>(2,718,277)</u>
Loss on Asset Disposal	21	(23,680)	(181,315)	(416,133)
Profit on Asset Disposal	21	157,486	404,276	212,448
Grants & Contributions for the Development of Assets	30	8,672,185	13,861,849	21,923,373
		<u>8,805,991</u>	<u>14,084,810</u>	<u>21,719,688</u>
NET RESULT		6,590,483	9,923,547	19,001,411
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	8(a)	4,391,934	0	(288,323)
Total Other Comprehensive Income		4,391,934	0	(288,323)
TOTAL COMPREHENSIVE INCOME		<u>10,982,417</u>	<u>9,923,547</u>	<u>18,713,088</u>

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

Shire of Exmouth

STATEMENT OF FINANCIAL POSITION For the Year Ended 30 June 2017

	Note	2017 Actual \$	2016 Actual \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	7,293,188	16,687,571
Trade and Other Receivables	4	1,627,189	2,371,594
Inventories	5	39,398	44,403
Total Current Assets		8,959,775	19,103,568
NON-CURRENT ASSETS			
Trade and Other Receivables	4	165,357	216,243
Property, Plant and Equipment	6	69,367,075	47,559,261
Inventories	5	1,446,263	1,176,959
Infrastructure	7(a)	40,549,933	42,131,123
Total Non-Current Assets		111,528,628	91,083,586
TOTAL ASSETS		120,488,403	110,187,154
CURRENT LIABILITIES			
Trade and Other Payables	9	1,914,304	3,636,811
Current Portion of Long Term Borrowings	10	253,764	117,266
Provisions	11	822,969	1,059,749
Total Current Liabilities		2,991,037	4,813,826
NON-CURRENT LIABILITIES			
Trade and Other Payables	9	0	0
Long Term Borrowings	10	2,262,793	1,106,557
Provisions	11	167,332	181,947
Total Non-Current Liabilities		2,430,125	1,288,504
TOTAL LIABILITIES		5,421,162	6,102,330
NET ASSETS		115,067,241	104,084,824
EQUITY			
Retained Surplus		66,796,357	50,952,466
Reserves - Cash / Investment Backed	12	6,028,803	15,282,211
Reserves - Asset Revaluation	13	42,242,081	37,850,147
TOTAL EQUITY		115,067,241	104,084,824

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

Shire of Exmouth

STATEMENT OF CHANGES IN EQUITY For the Year Ended 30 June 2017

	Note	RETAINED SURPLUS \$	RESERVES CASH / INVESTMENT BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 30 June 2015		42,283,259	4,950,007	38,138,469	85,371,735
- Net Result		19,001,411	0	0	19,001,411
- Asset Revaluation		0	0	(288,322)	(288,322)
- Total Other Comprehensive Income		0	0	0	0
- Transfer to Reserves		(11,495,924)	11,495,924	0	0
- Transfer from Reserves		1,163,720	(1,163,720)	0	0
Balance as at 30 June 2016		50,952,466	15,282,211	37,850,147	104,084,824
- Net Result		6,590,483	0	0	6,590,483
- Asset Revaluation		0	0	4,391,934	4,391,934
- Total Other Comprehensive Income		0	0	0	0
- Transfer to Reserves		(1,093,318)	1,093,318	0	0
- Transfer from Reserves		10,346,726	(10,346,726)	0	0
Balance as at 30 June 2017		66,796,357	6,028,803	42,242,081	115,067,241

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

Shire of Exmouth

STATEMENT OF CASH FLOWS For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash Flows From Operating Activities				
Receipts				
Rates		3,349,584	3,231,515	3,117,547
Grants, Subsidies and Contributions - Operating		3,318,914	2,345,912	1,614,829
Fees and Charges		5,741,029	5,749,768	6,041,380
Interest Earnings		238,432	159,935	291,608
Goods and Services Tax		3,605,666	1,200,000	2,523,810
Other		9,149	38,990	2,044,959
		<u>16,262,774</u>	<u>12,726,120</u>	<u>15,634,133</u>
Payments				
Employee Costs		(5,927,231)	(6,383,863)	(5,205,113)
Materials and Contracts		(4,233,325)	(3,148,881)	(2,514,377)
Utilities Charges		(609,711)	(738,842)	(777,567)
Insurance		(442,501)	(405,035)	(552,790)
Interest		(58,010)	(106,244)	(72,721)
Goods and Services Tax		(3,343,785)	(1,200,000)	(2,877,977)
Other		(353,847)	(350,824)	(120,850)
		<u>(14,968,410)</u>	<u>(12,333,689)</u>	<u>(12,121,395)</u>
Net Cash Provided by (used in) Operating Activities	14(b)	<u>1,294,364</u>	<u>392,431</u>	<u>3,512,738</u>
Cash Flows from Investing Activities				
Payments for Construction / Development of:				
- Non Current Assets		(20,670,216)	(26,301,800)	(14,791,748)
- Land Held for Resale		(430,000)	52,088	(158,875)
Grants/Contributions for the:				
- Development of Assets		8,672,184	13,861,849	21,923,373
Proceeds from Sale of Property, Plant & Equipment		390,051	1,884,615	462,795
Net Cash Provided by (used in) Investing Activities		<u>(12,037,981)</u>	<u>(10,503,248)</u>	<u>7,435,545</u>
Cash Flows from Financing Activities				
Repayment of Debentures	23(a)	(117,266)	(467,523)	(111,299)
Proceeds from New Debentures	23(b)	1,410,000	1,410,000	0
Community Loan Advances		0	0	(40,000)
Proceeds from Community Loans		56,500	59,000	50,226
Net Cash Provided by (used in) Financing Activities		<u>1,349,234</u>	<u>1,001,477</u>	<u>(101,073)</u>
Net Increase (Decrease) in Cash Held		<u>(9,394,383)</u>	<u>(9,109,340)</u>	<u>10,847,210</u>
Cash at Beginning of Year		16,687,571	16,689,910	5,840,362
Cash and Cash Equivalents at the End of Year	14(a)	<u><u>7,293,188</u></u>	<u><u>7,580,570</u></u>	<u><u>16,687,571</u></u>

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

Shire of Exmouth

RATE SETTING STATEMENT For the Year Ended 30 June 2017

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
OPERATING EXPENDITURE				
General Purpose Funding	1,2	(103,490)	(126,301)	(75,732)
Governance		(854,334)	(605,178)	(661,287)
Law, Order, Public Safety		(481,007)	(467,593)	(432,244)
Health		(199,355)	(245,769)	(247,925)
Education and Welfare		(127,295)	(90,322)	(214,927)
Housing		(106,228)	(153,653)	(123,569)
Community Amenities		(1,977,786)	(2,375,973)	(1,939,587)
Recreation & Culture		(3,737,855)	(4,591,497)	(3,934,627)
Transport		(6,520,948)	(6,410,122)	(7,819,777)
Economic Services		(763,495)	(751,598)	(704,135)
Other Property and Services		(48,466)	(54,490)	(167,673)
		<u>(14,920,259)</u>	<u>(15,872,496)</u>	<u>(16,321,484)</u>
NON OPERATING EXPENDITURE				
Purchase / Construction of Assets				
- Land	8	0	0	125,000
- Buildings	8	(18,820,676)	(21,785,904)	(10,802,019)
- Furniture and Fittings	8	(397,073)	(371,000)	(166,040)
- Plant & Equipment	8	(151,807)	(1,106,510)	(604,800)
- Infrastructure Assets - Roads	8	(1,043,249)	(2,267,441)	(2,696,110)
- Infrastructure Assets - Other	8	(257,411)	(770,946)	(647,779)
- Land Held for Resale		(430,000)	(430,000)	(158,875)
		<u>(21,100,216)</u>	<u>(26,731,801)</u>	<u>(14,950,623)</u>
OTHER EXPENDITURE				
Repayment of Debt				
- Debentures	23	(117,266)	(467,523)	(111,299)
Advances to Community Groups		0	0	(40,000)
Transfers to Reserves		(1,093,318)	(1,259,166)	(11,495,924)
		<u>(1,210,584)</u>	<u>(1,726,689)</u>	<u>(11,647,223)</u>
TOTAL EXPENDITURE		(37,231,059)	(44,330,986)	(42,919,330)
OPERATING REVENUE				
General Purpose Funding	1,2	3,142,574	2,081,281	1,249,467
Governance		32,670	0	2,008
Law, Order, Public Safety		80,103	56,091	99,356
Health		46,330	40,570	37,401
Education and Welfare		30,100	30,798	40,010
Housing		106,228	88,384	124,646
Community Amenities		1,162,569	1,124,260	1,074,886
Recreation and Culture		8,180,868	12,063,184	19,832,112
Transport		5,125,595	6,393,976	9,199,956
Economic Services		182,061	267,244	263,225
Other Property and Services		229,838	466,506	262,270
		<u>18,318,936</u>	<u>22,612,294</u>	<u>32,185,337</u>
OTHER REVENUE				
Proceeds from Disposal of Assets	21	390,051	1,884,615	462,795
Proceeds from New Debentures	23	1,410,000	1,410,000	0
Self-Supporting Loan Principal Income		56,500	59,000	50,226
Transfers from Reserves		10,346,726	10,766,561	1,163,720
		<u>12,203,277</u>	<u>14,120,176</u>	<u>1,676,741</u>
TOTAL REVENUE		30,522,213	36,732,470	33,862,078
Operating Activities Excluded from Budget				
(Profit)/Loss on Asset Disposals	21	(133,806)	(222,961)	203,685
Depreciation on Assets written back	2	4,739,977	4,509,439	4,296,829
Net Movement - Increase (Decrease) in Non Current Provisions		(251,395)	0	148,761
Net Movement - (Increase) Decrease in Deferred Rates	4	(614)	0	(7,530)
		<u>4,354,162</u>	<u>4,286,478</u>	<u>4,641,745</u>
NET DEFICIT		(2,354,684)	(3,312,038)	(4,415,507)
Add: Opening Funds 1st July	22	125,545	129,804	1,403,494
Less: Closing Funds 30th June C/Fwd		(962,667)	(1,515)	(125,545)
TOTAL GENERAL RATES LEVIED	24	<u>3,191,806</u>	<u>3,183,749</u>	<u>3,137,558</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has also 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 Council 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 20 to these financial statements.

(b) Goods and Services Tax

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.

(c) Cash and Cash Equivalents

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

(d) Trade and Other Receivables

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

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

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

(e) Inventories

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

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

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

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendment initially allowed for phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Council revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16(a), the Council 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.

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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 Council 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 detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

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 Council.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets (cont.)

Depreciation

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

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.

Capitalisation Thresholds

Expenditure on items of equipment under \$5,000 is not capitalised, rather, it is recorded on an asset inventory listing.

(g) Fair Value of Assets and Liabilities

When performing a revaluation, Council uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that the Council 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.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Assets and Liabilities (cont)

Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categories fair value measurement into one of three possible levels based on the lowest level that are 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 Council 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 Council 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 an asset at its current service capacity.

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 Council 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 and 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments

Classification and Subsequent Measurement (continued)

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicated, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance amount.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (cont.)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately.

Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continued involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. 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.

(i) Impairment of Assets

In accordance with Australian Accounting Standards, Councils 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 (eg AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(j) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to Council prior to the end of the financial year that are unpaid and arise when Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee Benefits

Short-Term Employee Benefits

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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 or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

Provisions are recognised when the Council 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.

(m) 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 Council, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to 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.

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 in the periods in which they are incurred.

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

(n) Investment in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(o) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

(p) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when Council obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained when rates are levied.

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 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 2(e). 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 operation for the current reporting period.

(q) Superannuation

Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(r) 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.

(s) Rounding off Figures

All figures shown in this Annual Financial Report, other than a rate in the dollar, are rounded to the nearest dollar.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council 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 even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

(u) Comparative Figures

Unless otherwise stated, the comparative figures shown in this Annual Financial Report relate to the original budget estimates for the relevant item of disclosure.

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

When Council applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

(v) 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.

(w) New Accounting Standards and Interpretations for Application in Future Periods

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 Council.

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

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

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

New Accounting Standards and Interpretations (continued)

(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.
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Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.

(x) Adoption of New and Revised Accounting Standards

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

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

- (i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

[AASB 10, 124 & 1049]

The objective of this Standard was to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities.

The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
2. REVENUES AND EXPENSES		
(a) Result from Ordinary Activities - Expenses		
The Result from Ordinary Activities includes:		
Significant Expense		
There were no significant items during the financial year	0	0
Auditors Remuneration		
Current Auditors		
- Audit	13,613	0
- Other Services	71,310	0
Previous Auditors		
- Audit	22,673	17,694
- Other Services	17,632	0
Depreciation		
Buildings	787,838	727,031
Furniture and Fittings	392,987	229,973
Plant & Equipment	677,302	552,470
Infrastructure		
- Roads	1,339,783	1,255,953
- Other	1,542,067	1,531,402
	4,739,977	4,296,829

(b) Result from Ordinary Activities - Revenues

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Interest Earnings			
Investments			
- Reserve Fund	151,366	77,355	189,211
- Municipal Fund	20,721	40,000	31,309
Other Interest Revenue			
- Rating (Note 28)	66,345	42,580	71,088
	238,432	159,935	291,608

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(c) Statement of Objective

The Shire of Exmouth is dedicated to providing high quality services to the community. In consultation with the community, Council developed a Strategic Community Plan in 2011. The Plan outlines the Shires' vision and key strategic objectives for 10+ years.

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

GOVERNANCE

Administration and operation of facilities and services to members of Council;
Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

LAW, ORDER, PUBLIC SAFETY

Supervision of various local-laws, fire prevention, emergency services and animal control.

HEALTH

Food quality and pest control, immunisation services and operation of infant health clinic.

EDUCATION AND WELFARE

Operation of senior citizens' centre, provision of assistance to pre-school facilities, playgroups and other voluntary services. Provision of youth counselling services.

HOUSING

Aged person housing.

COMMUNITY AMENITIES

Rubbish collection services, operation of refuse site, administration of the town planning scheme and maintenance of cemeteries.

RECREATION AND CULTURE

Provision and maintenance of halls, recreation centres, public reserves and library services.

TRANSPORT

Construction and maintenance of streets, roads, bridges; street lighting, depot maintenance.

ECONOMIC SERVICES

The regulation and provision of tourism, area promotion, building control, noxious weeds and vermin control.

OTHER PROPERTY & SERVICES

Private works operations, plant repairs and operations costs.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(d) Conditions Over Grants/Contributions

Grant/Contribution	Function/Activity	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
		Balance (1)	2015/16	2015/16	Balance (1)	2016/17	2016/17	Balance
		1/7/15	2015/16	2015/16	30/06/16	2016/17	2016/17	30/06/17
		\$	\$	\$	\$	\$	\$	\$
DEC - Bushfire Mitigation Fund	Law, Order, Public Safety	29,139	624	0	29,763	0	(29,763)	0
FESA Bushfire & SES	Law, Order, Public Safety	12,254	2,693	0	14,947	0	(5,322)	9,625
Dept of Planning	Community Amenities	78,770	23,732	0	102,502	0	(80,741)	21,761
GLGF Waste & Recycling	Community Amenities	399,570	0	0	399,570	0	(399,570)	0
R4R Ningaloo Centre	Recreation & Culture	0	8,202,538	0	8,202,538	0	(8,202,538)	0
Dept Sport & Rec - Swimming Pool Equip	Recreation & Culture	16,412	0	(16,412)	0	0	0	0
Dept of Infrastructure - Hard Shade Structure	Recreation & Culture	0	18,182	0	18,182	0	(18,182)	0
GDC Public Art Strategy	Recreation & Culture	20,000	0	(1,613)	18,387	0	0	18,387
GDC Water Transport Facilities	Recreation & Culture	71,750	0	(71,750)	0	0	0	0
Tourism WA Grant - Sewerage Dump Point	Recreation & Culture	55,325	0	(55,325)	0	0	0	0
Marina Breakwater NavAid	Recreation & Culture	24,929	535	0	25,464	386	0	25,850
Youth Leadership Program	Recreation & Culture	10,618	228	0	10,846	164	0	11,010
Youth Program (YAE)	Recreation & Culture	1,072	24	0	1,096	16	0	1,112
BHP Youth Program	Recreation & Culture	0	1,885	0	1,885	0	0	1,885
DSR - Commuity Pool Grant	Recreation & Culture	0	0	0	0	32,195	0	32,195
BHP - 50th Anniversary Event	Recreation & Culture	0	0	0	0	50,000	0	50,000
Quadrant - 50th Anniversary Event	Recreation & Culture	0	0	0	0	50,000	0	50,000
Festival Australia - 50th Anniversary Event	Recreation & Culture	0	0	0	0	36,800	0	36,800
RTR Grant	Transport	118,677	0	(118,677)	0	0	0	0
MRWA Murat Rd	Transport	0	36,364	0	36,364	0	(36,364)	0
Dept of Sustain - Interpretive Signage	Economic Services	9,194	0	(9,194)	0	0	0	0
Landscape Experience	Economic Services	15,168	0	(2,148)	13,020	197	0	13,217
WANDRRA Funds	Other Property and Services	0	206,578	0	206,578	0	(206,578)	0
TOTAL		862,878	8,493,383	(275,119)	9,081,142	169,758	(8,979,058)	271,842

(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 (includes interest earned on Grant Funding

(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.

Opening and Closing Balance of unspent grants and contributions are supported by money held in the Unspent Grants & Contributions Reserve (Note 12).

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 Actual \$	2016 Actual \$
3. CASH AND CASH EQUIVALENTS			
Cash on Hand - Unrestricted		4,048	3,548
Cash at Bank - Municipal Unrestricted		1,260,337	1,401,811
Restricted - Reserves	12	6,028,803	15,282,212
		<u>7,293,188</u>	<u>16,687,571</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates		336,908	427,631
Sundry Debtors		1,120,190	1,259,809
Goods & Services Tax		62,357	495,997
Self Supporting Loans		54,000	59,000
Accrued Revenue		47,913	83,420
Rental Bonds		100	100
Prepaid Expenditure		5,721	45,637
		<u>1,627,189</u>	<u>2,371,594</u>
Non-Current			
Rates Outstanding - Deferred Pensioners		38,333	37,719
Self Supporting Loans		127,024	178,524
		<u>165,357</u>	<u>216,243</u>
Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:			
Rates outstanding		<u>336,908</u>	<u>427,631</u>
Includes:			
Past due and not impaired		298,575	389,912
Impaired		0	0
Sundry Debtors		<u>1,120,190</u>	<u>1,259,809</u>
Includes:			
Past due and not impaired		144,477	727,092
Impaired		0	0
5. INVENTORIES			
Current			
Materials		39,398	44,403
		<u>39,398</u>	<u>44,403</u>
Non-Current			
Land Held for Resale		1,446,263	1,176,959
		<u>1,446,263</u>	<u>1,176,959</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
6. PROPERTY, PLANT AND EQUIPMENT		
Land - Independent Valuation 2017 - Level 2	7,703,000	0
Land - Independent Valuation 2016 - Level 2	0	7,010,250
Less Accumulated Depreciation	0	0
	7,703,000	7,010,250
Buildings - Independent Valuation 2017 - Level 2	6,832,000	0
Buildings - Independent Valuation 2017 - Level 3	41,841,000	0
Buildings - Management Valuation 2017 - Level 2	32,307,832	0
Buildings - Independent Valuation 2016 - Level 2	0	40,903,654
Less Accumulated Depreciation	(24,150,000)	(5,804,844)
	56,830,832	35,098,811
Furniture and Equipment - Independent Valuation 2016 - Level 2	3,069,902	3,069,902
Additions after Valuation - Cost	300,251	0
Less Accumulated Depreciation	(1,701,589)	(1,376,632)
	1,668,564	1,693,270
Plant and Equipment - Independent Valuation 2016 - Level 2	6,329,146	6,329,146
Additions after Valuation - Cost	65,177	0
Less Accumulated Depreciation	(3,229,644)	(2,572,216)
	3,164,679	3,756,930
	69,367,075	47,559,261
7. (a) INFRASTRUCTURE		
Roads - Management Valuation 2015 - Level 3	24,079,375	24,079,375
Additions after Valuation - Cost	3,739,359	2,696,110
Less Accumulated Depreciation	(11,110,837)	(9,771,054)
	16,707,897	17,004,431
Other - Independent Valuation 2014 - Level 2	19,160,500	19,160,500
Other - Management Valuation 2014 - Level 3	13,026,859	13,026,859
Additions after Valuation - Cost	7,398,791	7,141,380
Less Accumulated Depreciation	(15,744,114)	(14,202,047)
	23,842,036	25,126,692
	40,549,933	42,131,123

The fair value of property, plant, equipment and infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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, equipment and infrastructure to be shown at fair value.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

8. (a) Movements in carrying amounts

Movements in carrying amounts of each class of Property, Plant and Equipment & Infrastructure between the beginning and end of the current financial year.

	Land	Buildings	Furniture & Fittings	Plant & Equipment	Infrastructure		Total
					Roads	Other	
Gross Carrying Amount							
Balance at 30 June 2016	7,010,250	40,903,654	3,069,902	6,329,146	26,775,485	39,328,739	123,417,176
Additions	0	18,820,676	397,073	151,807	1,043,249	257,411	20,670,216
Disposals	0	0	(96,822)	(86,630)	0	0	(183,452)
Revaluation Increments (Decrements)	692,750	21,256,502	0	0	0	0	21,949,252
Balance at 30 June 2017	7,703,000	80,980,832	3,370,153	6,394,323	27,818,734	39,586,150	165,853,192
Accumulated Depreciation							
Balance at 30 June 2016	0	(5,804,844)	(1,376,632)	(2,572,216)	(9,771,054)	(14,202,047)	(33,726,793)
Disposals	0	0	68,030	19,874	0	0	87,904
Revaluation (Increments) Decrements	0	(17,557,318)	0	0	0	0	(17,557,318)
Depreciation Expense	0	(787,838)	(392,987)	(677,302)	(1,339,783)	(1,542,067)	(4,739,977)
Balance at 30 June 2017	0	(24,150,000)	(1,701,589)	(3,229,644)	(11,110,837)	(15,744,114)	(55,936,184)
Net Book Value at 30 June 2017	7,703,000	56,830,832	1,668,564	3,164,679	16,707,897	23,842,036	109,917,008

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

8. (b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of last Valuation	Inputs Used
Land	2	Market approach using recent observable market data for properties / income approach using discounted cash flow methodology	Independent Valuer	June 2017	Price per hectare / market borrowing rate
Buildings	2	Improvements to land valued using cost approach using depreciated replacement costs	Independent Valuer	June 2017	Improvements to land using construction costs and current condition (Level 2) residual values and remaining useful life assessments (Level 3) inputs
Furniture & Fittings - Independent Valuation 2016	2	Market or cost approach	Independent valuation	June 2016	Provides and indication of value by comparing the subject asset with identical or similar assets or using an economic principle approach
- Management Valuation 2016	2	Cost approach using depreciated replacement cost	Management valuation	June 2016	Residual values and remaining useful life assessments
Plant & Equipment - Independent Valuation 2016	2	Market or cost approach	Independent valuation	June 2016	Provides and indication of value by comparing the subject asset with identical or similar assets or using an economic principle approach
- Management Valuation 2016	2	Cost approach using depreciated replacement cost	Management valuation	June 2016	Residual values and remaining useful life assessments
Infrastructure - Roads - Management Valuation 2015	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other - Independent Valuation 2014	2	Market or cost approach	Independent valuation	June 2014	Provides and indication of value by comparing the subject asset with identical or similar assets or using an economic principle approach
- Management valuation 2014	3	Cost approach using depreciated replacement cost	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 Actual \$	2016 Actual \$	
9. TRADE AND OTHER PAYABLES				
Current				
Sundry Creditors		1,690,488	3,076,267	
Other Payables		714	714	
Prepaid Revenue		22,080	0	
Accrued Interest on Debentures		4,476	0	
Accrued Expenses		80,993	388,071	
Tax Liabilities		0	171,759	
Accrued Salaries & Wages		115,553	0	
		<u>1,914,304</u>	<u>3,636,811</u>	
10. LONG TERM BORROWINGS				
Current				
Secured by Floating Charge Debentures	23	253,764	117,266	
		<u>253,764</u>	<u>117,266</u>	
Non-Current				
Secured by Floating Charge Debentures	23	2,262,793	1,106,557	
		<u>2,262,793</u>	<u>1,106,557</u>	
11. PROVISIONS				
	Provision for Annual Leave	Provision for Long Service Leave	Provision for Gratuity	Total
Opening Balance at 1 July 2016				
Current Provisions	631,920	297,344	130,485	1,059,749
Non-current Provisions	<u>0</u>	<u>181,947</u>	<u>0</u>	<u>181,947</u>
	631,920	479,291	130,485	1,241,696
- Amounts Used	(122,547)	(33,850)	(56,045)	(212,442)
- Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	(20,375)	(18,578)	0	(38,953)
Closing Balance at 30 June 2017	<u>488,998</u>	<u>426,863</u>	<u>74,440</u>	<u>990,301</u>
Comprises				
Current Provisions	488,998	259,531	74,440	822,969
Non-current Provisions	<u>0</u>	<u>167,332</u>	<u>0</u>	<u>167,332</u>
	<u>488,998</u>	<u>426,863</u>	<u>74,440</u>	<u>990,301</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED			
The following restrictions have been imposed by regulation or other externally imposed requirements			
(a) Community Interest Free Loans Reserve			
Opening Balance	322,238	322,238	266,301
Amount Set Aside / Transfer to Reserve	61,437	64,016	55,937
Amount Used / Transfer from Reserve	0	0	0
	<u>383,675</u>	<u>386,254</u>	<u>322,238</u>
(b) Community Development Fund Reserve			
Opening Balance	2,717,187	2,717,187	895,900
Amount Set Aside / Transfer to Reserve	37,537	323,736	1,821,287
Amount Used / Transfer from Reserve	(1,025,113)	(1,574,818)	0
	<u>1,729,611</u>	<u>1,466,105</u>	<u>2,717,187</u>
(c) Leave Reserve			
Opening Balance	450,122	450,123	342,772
Amount Set Aside / Transfer to Reserve	6,028	6,752	107,350
Amount Used / Transfer from Reserve	(205,208)	0	0
	<u>250,942</u>	<u>456,875</u>	<u>450,122</u>
(d) Plant Reserve			
Opening Balance	292,827	292,827	286,679
Amount Set Aside / Transfer to Reserve	414,439	20,142	6,148
Amount Used / Transfer from Reserve	0	0	0
	<u>707,266</u>	<u>312,969</u>	<u>292,827</u>
(e) Waste Management Reserve			
Opening Balance	265,499	265,499	152,858
Amount Set Aside / Transfer to Reserve	3,679	3,982	112,641
Amount Used / Transfer from Reserve	0	0	0
	<u>269,178</u>	<u>269,481</u>	<u>265,499</u>
(f) Swimming Pool Reserve			
Opening Balance	425,811	425,810	416,871
Amount Set Aside / Transfer to Reserve	6,454	6,087	8,940
Amount Used / Transfer from Reserve	0	(20,000)	0
	<u>432,265</u>	<u>411,897</u>	<u>425,811</u>
(g) Shire Staff Housing Reserve			
Opening Balance	8,225	8,225	8,052
Amount Set Aside / Transfer to Reserve	25,214	450,123	173
Amount Used / Transfer from Reserve	0	0	0
	<u>33,439</u>	<u>458,348</u>	<u>8,225</u>
(h) Aviation Reserve			
Opening Balance	1,204,251	1,204,251	1,288,047
Amount Set Aside / Transfer to Reserve	16,750	135,919	445,684
Amount Used / Transfer from Reserve	(67,475)	(143,000)	(529,480)
	<u>1,153,526</u>	<u>1,197,170</u>	<u>1,204,251</u>
(i) Rehabilitation Reserve			
Opening Balance	189,645	189,645	174,474
Amount Set Aside / Transfer to Reserve	16,585	7,813	15,171
Amount Used / Transfer from Reserve	(5,679)	(2,088)	0
	<u>200,551</u>	<u>195,370</u>	<u>189,645</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(j) Marina Village Asset Replace & Preservation Reserve			
Opening Balance	5,797	5,797	5,675
Amount Set Aside / Transfer to Reserve	88	87	122
Amount Used / Transfer from Reserve	0	0	0
	<u>5,885</u>	<u>5,884</u>	<u>5,797</u>
(k) Building Infrastructure Preservation Reserve			
Opening Balance	299,072	299,072	77,111
Amount Set Aside / Transfer to Reserve	63,836	4,486	224,356
Amount Used / Transfer from Reserve	0	0	(2,395)
	<u>362,908</u>	<u>303,558</u>	<u>299,072</u>
(l) Town Planning Scheme Reserve			
Opening Balance	20,396	20,396	19,968
Amount Set Aside / Transfer to Reserve	310	308	428
Amount Used / Transfer from Reserve	0	0	0
	<u>20,706</u>	<u>20,704</u>	<u>20,396</u>
(m) Insurance / Natural Disasters			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	173,392	209,677	0
Amount Used / Transfer from Reserve	0	0	0
	<u>173,392</u>	<u>209,677</u>	<u>0</u>
(n) Unspent Grants & Contributions Reserve			
Opening Balance	9,081,142	9,081,141	1,015,299
Amount Set Aside / Transfer to Reserve	233,951	739	8,697,687
Amount Used / Transfer from Reserve	(9,043,251)	(9,026,655)	(631,845)
	<u>271,842</u>	<u>55,225</u>	<u>9,081,142</u>
(o) Marina Canal Reserve			
Opening Balance	0	0	0
Amount Set Aside / Transfer to Reserve	33,617	25,299	0
Amount Used / Transfer from Reserve	0	0	0
	<u>33,617</u>	<u>25,299</u>	<u>0</u>
(p) Carried Over Project Reserve			
Opening Balance	0	0	1,279
Amount Set Aside / Transfer to Reserve	0	0	0
Amount Used / Transfer from Reserve	0	0	(1,279)
	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Backed Reserves	<u>6,028,803</u>	<u>5,774,816</u>	<u>15,282,212</u>

All of the cash backed reserve accounts are supported by money held in financial institutions.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED (Continued)

All of the cash backed 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 are as follows:

Community Interest Free Loans Reserve

To be used to fund major community development projects.
Date of Utilisation: As funds become available for suitable projects.

Community Development Fund Reserve

To be used to fund community development initiatives.
Date of Utilisation: As required.

Leave Reserve

To be used to fund annual and long service leave requirements.
Date of Utilisation: As required.

Plant Reserve

To be used for the purchase of major plant and equipment.
Date of Utilisation: As required.

Waste Management Reserve

To be used to fund capital and operational costs of Refuse Site including implementation of post closure plan.
Date of Utilisation: As required.

Swimming Pool Reserve

To be used to fund Swimming Pool upgrades.
Date of Utilisation: As required.

Shire Staff Housing Reserve

To be used to fund housing for Shire staff.
Date of Utilisation: As required.

Aviation Reserve

To be used fund Aviation improvements.
Date of Utilisation: As required.

Rehabilitation Reserve

To be used to manage the funds associated with the environmental rehabilitation of the sand and gravel pits within the Shire of Exmouth.
Date of Utilisation: As required.

Marina Village Asset Replace & Preservation Reserve

To be used for the preservation and maintenance of infrastructure related to the Exmouth Marina Village.
Date of Utilisation: As required.

Building Infrastructure Preservation Reserve

To be used for the development, preservation and maintenance of building infrastructure within the Shire of Exmouth.
Date of Utilisation: As required.

Town Planning Scheme Reserve

To be used for the purpose of funding a review of the future Town Planning Scheme.
Date of Utilisation: As required.

Insurance / Natural Disasters

To be used for the purpose of funding small insurance claims where the excess is higher than the cost of repairs in addition to any weather related insurance/WANDDRA claims.
Date of Utilisation: As required.

Unspent Grants & Contributions Reserve

To be used for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties.
Date of Utilisation: Year of budgeted works.

Marina Canal Reserve

To be used for the purpose of funding future dredging costs as well as environmental water control and maintenance of the canals. These funds were derived from levying a Specified Area Rate titled Marina Specified Area.
Date of Utilisation: Year of budgeted works.

Carried Over Project Reserve

To be used for the preservation of carried over projects funds.
Date of Utilisation: Year of budgeted works.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
13. RESERVES - ASSET REVALUATION		
Asset revaluation reserves have arisen on revaluation of the following classes of non current assets:		
(a) Land & Buildings		
Balance as at 1 July 2016	20,756,330	20,756,330
Revaluation Increment	4,391,934	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	25,148,264	20,756,330
(b) Roads		
Balance as at 1 July 2016	8,471,756	8,471,756
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	8,471,756	8,471,756
(c) Plant & Equipment		
Balance as at 1 July 2016	1,094,483	1,094,483
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	1,094,483	1,094,483
(d) Furniture & Equipment		
Balance as at 1 July 2016	1,211,296	1,211,296
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	1,211,296	1,211,296
(e) Infrastructure - Other		
Balance as at 1 July 2016	6,316,282	6,316,282
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2017	6,316,282	6,316,282
TOTAL ASSET REVALUATION RESERVES	42,242,081	37,850,147

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	Note	2017 Actual \$	2017 Budget \$	2016 Actual \$
Cash Assets		7,293,188	7,580,570	16,687,571
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result				
Net Result		6,590,483	9,923,547	19,001,411
Amortisation		0	0	0
Depreciation	2 (a)	4,739,977	4,509,439	4,296,829
(Increase)/Decrease in Receivables (Excl Self Supporting Loans)	4	738,791	(3,798)	(430,916)
(Profit)/Loss on Disposal of Assets	21	(133,806)	(222,961)	203,685
(Increase)/Decrease in Inventories	5	5,005	(1,590)	(13,408)
Increase/(Decrease) in Payables (Excl Self Supporting Loans)	9	(1,722,507)	33,643	2,229,749
Increase/(Decrease) in Provisions Grants & Contributions for the Development of Assets	11	(251,395)	16,000	148,761
		(8,672,184)	(13,861,849)	(21,923,373)
Net Cash from Operating Activities		<u>1,294,364</u>	<u>392,431</u>	<u>3,512,738</u>
(c) Undrawn Borrowing Facilities Credit Standby Arrangements				
Bank Overdraft limit		400,000		400,000
Bank Overdraft at Balance Date		0		0
Credit Card Limit		40,000		40,000
Credit Card Balance at Balance Date		0		0
Total Amount of Credit Unused		<u>440,000</u>		<u>440,000</u>
(d) Loan Facilities				
Loan Facilities - Current		253,764		117,266
Loan Facilities - Non-Current		2,262,793		1,106,557
Total Facilities in Use at Balance Date	23	<u>2,516,557</u>		<u>1,223,823</u>
Unused Loan Facilities at Balance Date		<u>410,000</u>		<u>0</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
15. CAPITAL AND LEASING COMMITMENTS		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
- not later than one year	187,164	187,164
- later than one year but not later than five years	524,829	711,993
- later than five years	0	0
	711,993	899,157
 Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	1,923,458	13,470,628
Payable:		
- not later than one year	1,923,458	13,470,628

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the Ningaloo Centre.

16. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2017.

There is a likelihood of recognising the Pedestrian Footbridge located at the Exmouth Marina Village as an asset. The estimated value of the bridge is \$4,967,365.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$
17. JOINT VENTURE		
Council has no joint venture agreements as at 30 June 2017		
18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Governance	278,600	281,515
General Purpose Funding	439,707	0
Law, Order, Public Safety	1,218,886	1,892,218
Health	23	31,000
Education and Welfare	1,790,418	2,636,020
Housing	6,882,335	7,550,048
Community Amenities	7,688,460	9,035,145
Recreation and Culture	45,996,285	25,731,998
Transport	35,669,284	37,149,834
Economic Services	2,261,241	2,707,460
Other Property and Services	18,263,164	23,171,916
	120,488,403	110,187,154

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

19. FINANCIAL RATIOS

	2016/17	2015/16	2014/15
Current Ratio	1.070	0.876	1.970
Asset Sustainability Ratio	0.129	0.625	0.450
Debt Service Cover Ratio	15.143	7.866	7.780
Operating Surplus Ratio	(0.217)	(0.248)	(0.160)
Own Source Revenue Coverage Ratio	0.641	0.722	0.640

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 Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

Information relating to the Asset Consumption Ratio and the Asset Renewal Funding Ratio can be found at the Supplementary Ratio Information on page 51 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017/18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$993,202

Three of the 2016 and 2015 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$962,389

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2016/17	2015/16	2014/15
Current Ratio	0.707	No Change	1.500
Debt Service Cover Ratio	9.615	13.096	2.315
Operating Surplus Ratio	(0.321)	(0.166)	(0.238)

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

20. TRUST FUNDS

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

	Balance 1/07/16 \$	Amounts Received \$	Amounts Paid \$	Balance 30/06/17 \$
Hall & Rec Centre Bonds	10,100	0	5,350	4,750
Olma Funding	2,423	0	0	2,423
Forum Travel Fund	2,990	0	0	2,990
NADC	11,335	0	0	11,335
Cyclone Baptist Needy Fund	2,800	0	0	2,800
Council Nomination Fees	0	0	0	0
Sundries	7,844	50	0	7,894
Building/Planning Bonds	73,900	0	500	73,400
Youth Affairs	1,401	0	0	1,401
APH Bonds	0	0	0	0
Jurabi Coastal Park	59,400	0	0	59,400
Unclaimed Monies	7,749	0	112	7,637
Sub Division Clearance Bond	5,000	0	5,000	0
Key Bonds	650	200	0	850
Bond Deed Exmouth Marina Holdings	45,804	0	27,618	18,186
Cash In Lieu POS	169,420	0	0	169,420
Ingleton St Res 29086 (20A/152)	205,249	0	0	205,249
BCITF Levy	0	0	0	0
BSL Levy	0	0	0	0
Staff Housing Bonds	0	0	0	0
Donations to Other Organisations	135	0	0	135
Exmouth Volunteer Fire & Rescue	50,000	0	0	50,000
	656,200	250	38,580	617,870

21. DISPOSALS OF ASSETS

The following assets were disposed of during the year.

Function/Activity (Net)	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance	65,636	0	65,455	0	(181)	0
Law, Order & Public Safety	0	9,815	0	8,500	0	(1,315)
Housing	0	515,269	0	450,000	0	(65,269)
Community Amenities	0	142,878	0	51,000	0	(91,878)
Recreation & Culture	1,120	0	0	0	(1,120)	0
Transport	27,235	48,399	6,414	32,250	(20,821)	(16,149)
Economic Services	0	13,204	0	6,500	0	(6,704)
Other Property & Services	162,254	932,089	318,182	1,336,365	155,928	404,276
Total	256,245	1,661,654	390,051	1,884,615	133,806	222,961
Land Held for Resale	160,696	482,089	318,182	886,365	157,486	404,276
Land	0	0	0	0	0	0
Buildings	0	965,269	0	900,000	0	(65,269)
Furniture & Equipment	28,793	0	6,414	0	(22,379)	0
Vehicles	0	0	0	0	0	0
Plant & Equipment	66,756	214,296	65,455	98,250	(1,301)	(116,046)
Total	256,245	1,661,654	390,051	1,884,615	133,806	222,961

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 30 June Carried Forward \$	2016 1 July Brought Forward \$	2016 30 June Carried Forward \$
22. Net Current Assets			
Composition of net current assets			
Current Assets			
Cash and cash equivalents			
Unrestricted	1,260,337	1,401,811	1,401,811
Restricted	6,028,803	15,282,212	15,282,212
Cash on Hand	4,048	3,548	3,548
OCDF - Restricted	3,102,000	0	0
Investments			
Receivables			
Rates	336,908	427,631	427,631
Sundry Debtors	1,120,190	1,259,809	1,259,809
Goods & Services Tax	62,357	495,997	495,997
Self Supporting Loans	54,000	59,000	59,000
Accrued Revenue	47,913	83,420	83,420
Rental Bonds	100	100	100
Prepaid Expenditure	5,721	45,637	45,637
Inventories			
Materials	39,398	44,403	44,403
Land Held for Resale	1,446,263	1,176,959	1,176,959
Less: Current Liabilities			
Trade and other payables			
Sundry Creditors	(1,690,488)	(3,076,981)	(3,076,981)
Other Payables	(714)	0	0
Prepaid Revenue	(3,124,080)	0	0
Accrued Interest on Debentures	(8,677)	0	0
Accrued Expenses	(76,792)	(388,071)	(388,071)
Tax Liabilities	0	(171,759)	(171,759)
Accrued Salaries & Wages	(115,553)	0	0
Current portion of long term borrowings			
Secured by floating charge	(253,764)	(117,266)	(117,266)
Provisions			
Provision for Annual Leave	(488,998)	(631,920)	(631,920)
Provision for Long Service Leave	(259,531)	(297,344)	(297,344)
Provision for Gratuity	(74,440)	(130,485)	(130,485)
Unadjusted Net Current Assets	7,415,001	15,466,701	15,466,701
Adjustments			
Less: Reserves - Restricted Cash	(6,028,804)	(15,282,212)	(15,282,212)
Less: Loans receivable - clubs/institutions	(54,000)	(59,000)	(59,000)
Less: Land Held for Resale	(1,446,263)	(1,176,959)	(1,176,959)
Add: Current Borrowings Secured by floating charge	253,764	117,266	117,266
Add: Provisions Cash Backed (Leave Reserve)	822,969	1,059,749	1,059,749
	962,667	125,545	125,545

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

23. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Loan No.	Principal 01-Jul-16	New Loans	Interest Expense		Principal Repayments		Total Repayments		Principal 30-Jun-17	
				Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Housing											
Snapper Loop Land	77	136,209	0	7,987	7,579	42,898	42,898	49,996	50,477	93,311	93,311
Staff Dwellings	80	793,714	0	37,680	37,301	56,988	56,901	93,304	94,202	736,726	736,726
Community Amenities											
Rubbish Truck	81	0	410,000	297	5,991	0	51,961	0	57,952	410,000	358,039
Recreation & Culture											
Ningaloo Centre	82	0	1,000,000	1,001	13,052	0	21,863	0	34,915	1,000,000	978,137
Other Property & Services											
1 Bennett St Exmouth	76	293,900	0	15,434	42,321	17,380	293,900	31,976	336,221	276,520	0
		1,223,823	1,410,000	62,399	106,244	117,266	467,523	175,276	573,767	2,516,557	2,166,213

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

23. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures

Purpose	Loan No.	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges	Interest Rate	Amount Used		Balance Unspent \$
		Actual	Budget						Actual	Budget	
Rubbish Truck	81	410,000	410,000	WATC	Debenture	5	39,034	2.41%	0	410,000	410,000
Ningaloo Centre	82	1,000,000	1,000,000	WATC	Debenture	15	342,262	3.33%	1,000,000	1,000,000	0
		<u>1,410,000</u>	<u>1,410,000</u>				<u>381,296</u>		<u>1,000,000</u>	<u>1,410,000</u>	<u>410,000</u>

(c) Unspent Debentures

Particulars		Date Borrowed	Balance 1/07/16	Amount of Loan	Expended During Year	Balance 30/06/17
Rubbish Truck	81	20-Jun-17	0	410,000	0	410,000
			<u>0</u>	<u>410,000</u>	<u>0</u>	<u>410,000</u>

As at 30 June 2017, the unspent loan proceeds were held in the Plant Reserve (refer Note 12).

(d) Overdraft

Council has an overdraft facility of \$400,000 to assist with short term liquidity requirements. The balance of the bank overdraft at 30 June 2017 was \$nil.

(e) Interest Rate Risk

New loans are borrowed with interest rate fixed for the term of the loan, this protects Council from future increases in interest rate rises.

Shire of Exmouth

RATING INFORMATION For the Year Ended 30 June 2017

24.	Number of Properties	Rateable Value \$	Rate in Dollar \$	2017 Actual \$	2017 Budget \$	2016 Actual \$
GROSS RENTAL VALUE (GRV)						
General Rates - GRV						
General	1,151	29,691,641	\$0.071500	2,053,237	2,045,886	0
Marina Developed	81	2,950,660	\$0.098300	296,756	287,673	0
Holiday Homes	68	1,688,180	\$0.101100	149,660	151,995	0
Vacant Land	239	3,339,700	\$0.120500	367,241	376,865	
Commercial-Industrial	0	0		0	0	785,576
Commercial-Industrial Vacant Land	0	0		0	0	104,369
Marina	0	0		0	0	336,684
Marina Vacant Land	0	0		0	0	79,038
Residential	0	0		0	0	1,169,139
Residential Development	0	0		0	0	1,141
Residential Develop Vacant Land	0	0		0	0	(812)
Special Rural	0	0		0	0	41,755
Special Rural Vacant Land	0	0		0	0	22,340
Total Rates - GRV	1,539	37,670,181		2,866,894	2,862,419	2,539,230
Minimum Rates - GRV						
General	49	352,290	\$900	44,100	44,100	0
Marina Developed	1	0	\$900	900	900	0
Holiday Homes	0	0	\$900	0	0	0
Vacant Land	216	1,047,840	\$900	194,400	187,200	0
Commercial-Industrial	0	0		0	0	29,110
Commercial-Industrial Vacant Land	0	0		0	0	26,980
Marina	0	0		0	0	1,459
Marina Vacant Land	0	0		0	0	401,225
Residential	0	0		0	0	48,280
Residential Development	0	0		0	0	0
Residential Develop Vacant Land	0	0		0	0	4,060
Special Rural	0	0		0	0	2,433
Special Rural Vacant Land	0	0		0	0	1,622
Total Minimum Rates - GRV	266	1,400,130		239,400	232,200	515,169
TOTAL GRV	1,805	39,070,311		3,106,294	3,094,619	3,054,399
UNIMPROVED VALUE (UV)						
General Rates - UV						
Mining	16	292,897	\$0.155200	45,524	46,458	42,968
Rural	7	478,060	\$0.077600	35,112	37,796	35,921
Total Rates - UV	23	770,957		80,636	84,254	78,889
Minimum Rates - UV						
Mining	14	11,658	\$284	3,976	3,976	3,510
Rural	1	5,800	\$900	900	900	760
Total Minimum Rates - UV	15	17,458		4,876	4,876	4,270
TOTAL UV	38	788,415		85,512	89,130	83,159
TOTAL GENERAL RATES	1,843			3,191,806	3,183,749	3,137,558
Specified Area Rates (Note 25)						
Marina Specified Area	240	3,472,700	\$1.300000	45,589	42,926	44,344
TOTAL RATES LEVIED				3,237,395	3,226,675	3,181,902
Less: Rates Written Off				0	0	0
Net Rate Revenue				3,237,395	3,226,675	3,181,902

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE

Marina Specified Area

The specified area rate for the marina is for those properties fronting the marina canals. The proceeds of the rate are applied in full to the environmental monitoring and maintenance of the canal waterways.

	Reserve Bal	Rates	Interim	Back	Rates	Reserve Bal
Specified Area Rate	1st July	Levied	Rates	Rates	Expended	30th June
<i>(Refer Note 24 for valuations)</i>	\$	\$	\$	\$	\$	\$
<i>Marina Specified Area</i>	0	45,218	371	0	(45,589)	0

26. SERVICE CHARGES

Council did not raise any service charges.

27. DISCOUNTS, INCENTIVES, CONCESSIONS & WRITE-OFFS

	Type	Disc %	Total Cost/ Value	Budget Cost/ Value
Rates - Rate in \$ Concession			92,500	95,819
			<u>92,500</u>	<u>95,819</u>

Pensioners & Seniors

Persons who hold a Seniors Card (SC), Commonwealth Health Seniors Card (CHSC) and/or Pension Concession Card (PCC) may be eligible to claim a rebate of up to 50% on their rates, or be eligible to defer payment of their rates.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

28. INTEREST CHARGES AND INSTALMENTS

	Interest Rate	Admin Charge \$	Revenue
Interest			
Unpaid Rates	11.0%	N/A	53,311
Instalment Plan	5.5%	N/A	13,034
			<u>66,345</u>
Charges			
Instalment Plan	N/A	\$13	15,638
			<u>15,638</u>

Two option plans are available to ratepayers for payment of their rates.

Option 1 (Full Payment)

Full amount of rates and charges including arrears to be paid on or before 16 September 2016.

Option 2 (2 Instalments)

First instalment to be received on or before 16 September 2016 including all arrears and half of the current rates and service charges. Second, instalments to be made intervals on dates shown below:-

1st Instalment	16 September 2016
2nd Instalment	16 November 2016

Option 3 (4 Instalments)

First instalment to be received on or before 16 September 2016 including all arrears and quarter of the current rates and service charges. Second, third and fourth instalments to be made at two month intervals on dates shown below:-

1st Instalment	16 September 2016
2nd Instalment	16 November 2016
3rd Instalment	16 January 2017
4th Instalment	16 March 2017

The cost of the instalment plans will comprise of simple interest of 5.5% p.a. calculated from the date the first instalment is due, together with an administration fee of \$13.

	2017 Actual \$	2016 Actual \$
29. FEES & CHARGES		
General Purpose Funding	41,564	43,654
Law, Order, Public Safety	22,209	25,206
Health	46,330	37,401
Education & Welfare	27,874	28,818
Housing	105,817	111,162
Community Amenities	1,156,760	1,036,323
Recreation & Culture	111,296	97,025
Transport	4,162,150	4,398,380
Economic Services	180,479	254,252
Other Property & Services	23,458	21,553
	<u>5,877,937</u>	<u>6,053,774</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2016 Actual \$	
30. GRANTS & CONTRIBUTION REVENUE			
By Nature and Type:			
Grants - Operating	3,257,261	1,614,829	
Contributions - Operating	902	0	
Reimbursements - Operating	59,996	0	
	<u>3,318,159</u>	<u>1,614,829</u>	
 Grants - For the Development of Assets	 8,672,185	 21,923,373	
	<u>8,672,185</u>	<u>21,923,373</u>	
	<u>11,990,344</u>	<u>23,538,202</u>	
By Program:			
General Purpose Funding	2,873,094	914,205	
Governance	27,876	0	
Law, Order, Public Sector	53,894	68,273	
Health	902	0	
Education & Welfare	(333,134)	70,135	
Housing	411	0	
Community Amenities	2,119	36,400	
Recreation and Culture	8,361,783	19,680,575	
Transport	952,929	2,728,917	
Economic Services	1,582	20,862	
Other Property & Services	48,888	18,835	
	<u>11,990,344</u>	<u>23,538,202</u>	
31. COUNCILLOR'S REMUNERATION	2017	2017	2016
The following fees, expenses and allowances were paid to council members and/or the president.	Actual	Budget	Actual
	\$	\$	\$
President's Allowance	6,415	12,830	12,665
President's Meeting Fees	3,207	12,830	12,665
Deputy President's Allowance	1,604	3,208	3,166
Councillor & Commissioner Meeting Fees	92,371	38,500	35,246
Telecommunications Allowance	4,128	4,590	4,375
	<u>107,725</u>	<u>71,958</u>	<u>68,117</u>
32. EMPLOYEE NUMBERS			
The number of full-time equivalent Employees at balance date	<u>57.76</u>		<u>63.45</u>
33. ECONOMIC DEPENDENCY			
A significant portion of revenue is received by way of grants from the State and Federal Government. The total of grant revenue from government sources is included in Note 30.			

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

34. MAJOR LAND TRANSACTIONS

Heron Way Subdivision

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. The development was funded from municipal funds.

	2017 Actual \$	2017 Budget \$	2016 Actual \$
Current Year Transactions			
Operating Revenue			
Profit on Sale	157,486	404,276	143,850
Operating Expenditure			
Settlement Expenses	(5,850)	(15,000)	(7,056)
Marketing & Advertising	0	0	(1,858)
Valuation Expenses	(536)	(5,000)	(5,310)
Non Operating Revenue			
Sale Proceeds	318,182	886,364	0
Non Operating Expenditure			
Purchase of Land	(430,000)	(430,000)	(150,000)
Development Costs	0	0	(8,875)
	<u>39,282</u>	<u>840,640</u>	<u>(29,249)</u>
Assets			
Land Held for Resale	1,446,263		1,176,959
	<u>1,446,263</u>		<u>1,176,959</u>
Liabilities			
Nil	0		0
	<u>0</u>		<u>0</u>
Net Assets	<u>1,446,263</u>		<u>1,176,959</u>

Expected Future Cash Flows

	2018 \$	2019 \$	2020 \$	2021 \$	Total \$
Cash Outflows					
Nil	0	0	0	0	0
Cash Inflows					
Sale Proceeds	0	590,909	590,909	1,477,273	2,659,091
Net Cash Flows	<u>0</u>	<u>590,909</u>	<u>590,909</u>	<u>1,477,273</u>	<u>2,659,091</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

	2017 Actual \$	2017 Budget \$	2016 Actual \$
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35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

Operating Revenue

Fees & Charges	4,016,319	3,982,615	4,280,184
Grants, Subsidies & Contributions	38,577	0	0
Other Revenue	0	0	0
Profit on Asset Disposal	0	0	1,945
	<u>4,054,896</u>	<u>3,982,615</u>	<u>4,282,129</u>

Operating Expenditure

Employee Costs	(1,700,443)	(1,922,433)	(1,963,288)
Materials & Contracts	(658,023)	(364,846)	(340,140)
Utilities	(110,629)	(143,016)	(127,854)
Insurance	(89,809)	(56,820)	(97,648)
Other Expenditure	(254,296)	(201,296)	(215,051)
Loss on Asset Disposal	(17,229)	(6,875)	0
Depreciation	(539,934)	(504,671)	(556,957)
	<u>(3,370,363)</u>	<u>(3,199,957)</u>	<u>(3,300,938)</u>

Operating Surplus/(Deficit)

	684,533	782,658	981,191
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Capital Expenditure

Land & Buildings	(20,834)	(10,000)	(64,588)
Furniture and Equipment	(12,364)	0	(95,934)
Infrastructure Other	0	0	(33,195)
Plant and Equipment	(5,237)	0	(92,486)
Transfer to/from Reserve	(378)	(7,153)	(125,145)
	<u>(38,813)</u>	<u>(17,153)</u>	<u>(411,348)</u>

TOTAL NET RESULT

	<u>645,720</u>	<u>765,505</u>	<u>569,843</u>
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36. POST BALANCE DAY EVENTS

No significant events have occurred since 30 June to the date of reporting.

37. AGGREGATE EMPLOYMENT ENTITLEMENT

Current	Note		
Accrued Salaries & Wages	9	115,553	253,225
Provision for Annual Leave	11	0	435,609
Provision for Long Service Leave	11	0	461,581
Provision for Gratuity	11	0	31,836
		<u>115,553</u>	<u>1,182,251</u>
Non Current			
Provision for Long Service Leave	11	0	255,215
		<u>0</u>	<u>255,215</u>

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

38. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

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

	2017 \$
Short-term employee benefits	928,446
Post-employment benefits	133,778
Other long-term benefits	16,566
Termination benefits	317,415

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 31.

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.

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. 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.

iii. Joint venture entities accounted for under the equity method

The Shire has a one-third interest in an environmental health and building service. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 17.

Transactions with related parties

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

The following transactions occurred with related parties:

Associated companies/individuals:

	2017 \$
Sale of goods and services	0
Purchase of goods and services	12,396

Joint venture entities:

Distributions received from joint venture entities	0
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Amounts outstanding from related parties:

Trade and other receivables	0
Loans to associated entities	0
Loans to key management personnel	0

Amounts payable to related parties:

Trade and other payables	44,628
Loans from associated entities	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

39. FINANCIAL RISK MANAGEMENT

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

Council 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 department of Council under policies approved by the Council.

Council held the following financial instruments at balance date.

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial Assets				
Cash and Cash Equivalent	7,293,188	16,687,571	7,293,188	16,687,571
Receivables	1,792,546	2,587,837	1,792,546	2,587,837
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
Available-for-sale Financial Assets	0	0	0	0
Held-to Maturity Investments	0	0	0	0
	<u>9,085,734</u>	<u>19,275,408</u>	<u>9,085,734</u>	<u>19,275,408</u>
Financial Liabilities				
Payables	1,914,304	3,636,811	1,914,304	3,636,811
Borrowings	<u>2,516,557</u>	<u>1,223,823</u>	<u>2,516,557</u>	<u>1,223,823</u>
	<u>4,430,861</u>	<u>4,860,634</u>	<u>4,430,861</u>	<u>4,860,634</u>

Fair Value is determined as follows:

- Cash and Cash Equivalents	Estimated to the carrying value which approximates net market value.
- Receivables	Estimated to the carrying value which approximates net market value.
- Payables	Estimated to the carrying value which approximates net market value.
- Held-to Maturity Investments	Estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Borrowings	Estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial Assets at Fair Value through Profit or Loss	Based on quoted market prices at the reporting date or independent valuation.
- Available-for-sale Financial Assets	Based on quoted market prices at the reporting date or independent valuation.

40. (a)

Cash and Cash Equivalents

Financial Assets at Fair Value through Profit or Loss

Available-for-Sale Financial Assets

Held-to Maturity Investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance department manages the cash and investment portfolio with the assistance of independent advisors (when required). Council has an investment policy and the policy is subject to review by Council. An investment report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments of their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

Council manages these risks by only investing in registered commercial banks.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

40. FINANCIAL RISK MANAGEMENT (Continued)

	2017 Actual \$	2016 Actual \$
Impact of a 10% movement in price of investments		
- Equity	0	0
- Income Statement	0	0
Impact of a 1% movement in interest rates in cash		
- Equity	103,952	1,892,110
- Income Statement	72,932	313,090

40. (b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required.

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

	2017 Actual \$	2016 Actual \$
The profile of Council's credit risk at balance date was:		
Percentage of Rates and Annual Charges		
- Current	0.0%	0.0%
- Overdue	100.0%	100.0%
Percentage of other Receivables		
- Current	69.1%	42.0%
- Overdue	30.9%	58.0%

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

FINANCIAL RISK MANAGEMENT (Continued)

40. (c) Payables

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. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 Year	Due 1 - 5 years	Due 5 Years +	Total Contracted Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
2017					
Payables	5,016,304	0	0	5,016,304	5,016,304
Borrowings	253,764	959,254	1,303,539	2,516,557	2,516,557
	<u>5,270,068</u>	<u>959,254</u>	<u>1,303,539</u>	<u>7,532,861</u>	<u>7,532,861</u>
2016					
Payables	3,636,811	0	0	3,636,811	3,636,811
Borrowings	117,179	522,974	583,670	1,223,823	1,223,823
	<u>3,753,990</u>	<u>522,974</u>	<u>583,670</u>	<u>4,860,634</u>	<u>4,860,634</u>

Market Risk - Currency

Nil - Council does not engage in transactions expressed in foreign currencies.

Market Risk - Interest Rate

Borrowings are subject to interest rate risk (the risk interest rates could adversely affect funding costs). Council manages this risk by borrowing long term and fixing the interest rate to the situation considered most advantageous at the time of negotiation.

As interest rates on borrowings are fixed for the term of the loan, no impact is experienced from a change in interest rate therefore a sensitivity analysis is not presented.

Shire of Exmouth

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2017

FINANCIAL RISK MANAGEMENT (Continued)

40. (c) Payables - Borrowings (Continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
2017								
Borrowings								
Fixed rate								
Debentures	0	93,311	0	0	0	2,423,246	2,516,557	3.86%
Weighted average effective interest rate	0.00%	5.65%	0.00%	5.65%	0.00%	4.81%		
2016								
Borrowings								
Fixed rate								
Debentures	0	0	136,209	0	0	1,087,614	1,223,823	4.91%
Weighted average effective interest rate	0.00%	0.00%	5.65%	0.00%	0.00%	4.81%		

Shire of Exmouth

SUPPLEMENTARY RATIO INFORMATION FOR THE YEAR ENDED 30TH JUNE 2017

Ratio Information

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report.

	2016/17 Actual	2015/16 Actual	2014/15 Actual	2013/14 Actual
Asset Consumption Ratio	0.646	0.727	0.720	0.710
Asset Renewal Funding Ratio	1.050	0.940	0.720	0.920

The above ratios are calculated as follows:

Asset Consumption Ratio $\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$

Asset Renewal Funding Ratio $\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF EXMOUTH

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Exmouth (the Shire), which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Exmouth is in accordance with the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Shire in accordance with the 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Other Legal and Regulatory Requirements

During the course of our audit we became aware of the following instances where the Shire did not comply with the *Local Government (Financial Management) Regulations 1996 (as amended)*:

Rates

The following information was not accompanied or included in the rate notice as required by Local Government (Financial Management) Regulation 56(4):

- A brief statement of objects/reasons for imposing differential rates, differential minimums and service charges.
- The reasons the adopted rates and minimums for all rating categories differed from those set forth in the local public notice.
- For rates that remain unpaid from the previous year at the date for payment of the first instalment, a brief statement advising that payment of rates or service charge on any land may not be made by instalment.

The following information was not included in a reminder notice for payment of an instalment as required by *Local Government (Financial Management) Regulation 57(1)(c)*:

- The valuation of the land recorded in the rate record.

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF EXMOUTH (CONTINUED)
Report on Other Legal and Regulatory Requirements (Continued)**

MOORE STEPHENS

In accordance with the *Local Government (Audit) Regulations 1996*, we also report that:

- a) In our opinion the Shire experienced a significant adverse trend in both the financial position and financial management practices during the year ended 30 June 2017 as evidenced by:

Financial Position

- i) A deterioration in the key financial ratios of the Shire; and
ii) The effect the Ningaloo Centre Project has had on the operations of the Shire.

Financial Management Practices

- i) Specific actions taken with respect to the planning, tendering and other aspects of the Ningaloo Centre Project; and
ii) Scale of non-compliance with the Local Government Act and Regulations and other matters of best practice.
- b) Except as detailed above, no matters indicating non-compliance with Part 6 of the *Local Government Act 1995 (as amended)*, the *Local Government (Financial Management) Regulations 1996 (as amended)* or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 51 of this report, we have reviewed the calculation as presented and nothing has come to our attention to suggest it is not supported by:
- i. verifiable information; and
ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

Responsibilities of Management and Council for the Financial Report

Management is responsible for the preparation of this financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

Date: 28 February 2018
Perth, WA

