

ANNUAL REPORT

2019-2020



CONTINUOUS
GROWTH



IN-DEMAND
DESTINATION



SERVICING THE
GASCOYNE



**THE SHIRE OF
EXMOUTH RESPECTFULLY
ACKNOWLEDGES THE
BAIYUNGU, THALANYJI AND
YINIKURTURA PEOPLE AS THE
TRADITIONAL CUSTODIANS OF THE
LAND AND WATER ON WHICH THE
SHIRE CONDUCTS ITS BUSINESS,
AND PAYS RESPECT TO ELDERS
PAST AND PRESENT.**

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An aerial photograph of a coastal town. In the foreground, there's a parking lot with several cars. The middle ground shows a residential area with houses and a winding canal or river. To the right, a sandy beach meets the clear blue ocean. In the far distance, a line of wind turbines is visible against the horizon under a clear sky.

OUR

VISION & MISSION

TO BE A PROSPEROUS AND SUSTAINABLE COMMUNITY LIVING IN HARMONY WITH OUR NATURAL ENVIRONMENT.

TO RESPONSIBLY PROVIDE GOVERNANCE FOR THE WHOLE COMMUNITY IN THE BEST INTEREST OF CURRENT AND FUTURE GENERATIONS.

OUR

OBJECTIVES

DIVERSIFY AND GROW OUR ECONOMY IN A MANNER THAT PROVIDES YEAR ROUND EMPLOYMENT OPPORTUNITIES.

TO PROTECT AND VALUE OUR UNIQUE NATURAL AND BUILT ENVIRONMENT AS WE GROW OUR ECONOMY.

TO BE A VIBRANT, PASSIONATE AND SAFE COMMUNITY VALUING OUR NATURAL ENVIRONMENT AND UNIQUE HERITAGE.

TO PROVIDE OPEN TRANSPARENT, ACCOUNTABLE LEADERSHIP WORKING IN COLLABORATION WITH OUR COMMUNITY.

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.

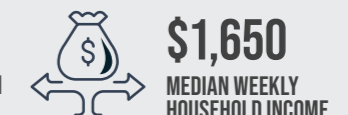
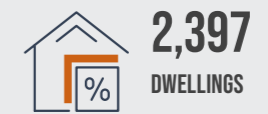
SHIRE PROFILE

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.

Every year, during the cooler winter months from April to October, the resident population of 2,514 people (Census 2016) triples due to the number of visitors.

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.



MESSAGE FROM THE SHIRE PRESIDENT

It's a pleasure to present Council's 2019–2020 Annual Report to the Exmouth community, which outlines the organisation's successes, challenges and the strategic direction taken over the past 12 months.

As you know, this last financial year, and especially over the last six months, the global COVID-19 pandemic has had a tremendous impact on how we have been able to deliver services to our community; however it has also presented opportunities to innovate and transform: After some very stressful and tense months, across the world, the country, the State and our own Shire, we've been ready to welcome our intra-state visitors and let them experience the best location in the State.

Western Australia is leading the way in getting back to normal, but, as we have seen over the past week in other states, a relapse can happen very quickly, and, as Identified early on, our lack of

facilities and isolation would expose our community to dire consequences from even the smallest outbreak associated with a "second wave" of infection.

The Shire staff, led by the CEO, have done an outstanding job from the very start in adapting, leading and communicating. Everyone acted quickly and empathetically to adjust the delivery of services to provide the best possible care to residents and businesses as we moved forward together. The sheer amount of behind the scene, the hidden workload that has been undertaken along the way to enable our local community to understand and adhere to the different rules and changing expectations is to be commended and, on behalf of Council and our town, I would like to say thank you to the entire Shire Team.

Looking ahead to 2020–2021, I am excited for Council to lead and support transparent and genuine community consultation on key issues; engaging residents and stakeholders. Council is also taking action on long-standing waste and recycling issues, and we will be working more closely than ever before with the community, industry and other levels of government to ensure our future outlook align with our community's needs.



Cr Matthew (Matt) Niikkula

Shire President, Shire of Exmouth



YOU CAN DOWNLOAD A COPY OF THIS REPORT AT

<https://www.exmouth.wa.gov.au/documents/annual-reports>

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The 2019-20 reporting year has been a significant one for the Shire of Exmouth. Our work has focused on delivering projects that reflect your priorities as outlined in the Strategic Community Plan: Exmouth 2030 while responding to the global COVID-19 pandemic.

At every opportunity Councillors and officers have connected with residents, business owners and community groups to establish new and better ways to support them. Council's response to the pandemic was first and foremost to protect the health and safety of our community and provide as much support as possible. This support included:

- Adopting the WALGA COVID-19 Hardship policy which provided financial relief to rate payers and debtors
- Providing financial relief to several commercial leaseholders
- Adopting a 0% increase in any rates in the dollar or community fees and charges for the 2020/21 financial year
- Waiving all administration charges and interest charges for the payment of rates by instalments in 2020/21
- Retaining permanent Shire employees on contractual entitlements to ensure the Shire (as a large employer in the town) did not add to the economic downturn within the Exmouth community
- Altering the capital works program and reallocating Shire Funding to support local contractors and fund community projects, such as

the Federation Park upgrades, new footpaths and a large solar energy project at the Ningaloo Centre, which will reduce ongoing expenditures annually

- Working closely and successfully with our local Chamber of Commerce and Industry to obtain grants to assist local business
- Developing a Destination Marketing Campaign to re-stimulate visitation to the Ningaloo Region and support the local economy
- Establishing the "Shire President COVID-19 Relief Fund" to be used to support the community in dealing with the financial impacts of COVID-19

Despite the challenges we've faced due to COVID-19, we have continued to deliver projects which respond to each of the four priority themes outlined in the Strategic Community Plan: Exmouth 2030. Introduced initiatives and capital works projects completed during the year included:

- Upgrades to Bundegi Beach, including toilet renovations, the installation of showers and Murals to increase the vibrancy of the area
- The Exmouth Recreational precinct is undergoing transformations to better meet the needs of the community and growing visitation numbers

- Taking over the responsibility of operating & servicing the Ningaloo Visitor Centre
- Introducing a Waste Working Group to combat landfill management and recycling - preserving our unique environment
- Delivering a challenging budget in unprecedented times, including additional stimulus packages for the local community

Together we have many achievements to reflect on, and our organisation will continue to find new ways to adapt, plan and invest for our community's future. Shire Executive staff and Councillors are committed to providing strong leadership for the benefit of all residents and ratepayers in the coming year.



Cameron Woods

Chief Executive Officer, Shire of Exmouth

YOUR COUNCIL



CR MATTHEW NIIKKULA

SHIRE PRESIDENT
TERM EXPIRES 2021



CR BEN DIXON

DEPUTY SHIRE PRESIDENT
TERM EXPIRES 2021



CR GARY MOUNSEY

COUNCILLOR
TERM EXPIRES 2021



CR HEATHER LAKE

COUNCILLOR
TERM EXPIRES 2023



CR MARK LUCAS

COUNCILLOR
TERM EXPIRES 2023



CR ANNE MCCARROL

COUNCILLOR
TERM EXPIRES 2023



CR GAVIN PENFOLD

COUNCILLOR
TERM EXPIRED 2019

The Shire of Exmouth is formed under the Local Government Act 1995 and its operations and structures are a reflection of this State Legislation and its associated Regulations.

Council welcomed one new elected member and two returning councillors for four-year terms in an election year (2019) that delivered some very close contests.

Incumbent councillors Heather Lake (497 votes, 23.94%) and Mark Lucas (496 votes, 23.89%) have been re-elected, while new Councillor Anne McCarrol received 352 votes (16.96%).

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

Ordinary Council meetings are held

every third Thursday, commencing at 4.00pm at the Ningaloo Centre. Members of the public are welcome to attend.

In addition to the Council Meetings scheduled each month, Councillors and Executive Staff are required to attend Agenda Briefings on the 3rd Tuesday of each month and Strategic Briefings on the 2nd Tuesday of each month.

Prior to adopting the Annual Budget, Councillors also attend 2-3 extensive budget workshops.

During the year the Shire President and Councillors also attended committee meetings of Council and a range of Council Advisory Group meetings that are not included in the Elected Members Attendance table.

ELECTED MEMBERS ATTENDANCE

- ATTENDED
- APOLOGY
- LEAVE

ELECTED MEMBER MEETING ATTENDANCE / ORDINARY COUNCIL MEETINGS 2019 - 2020

	JUL 19	AUG 19	SEP 19	OCT 19	NOV 19	DEC 19	JAN 20	FEB 20	MAR 20	APR 20	MAY 20	JUN 20
PRESIDENT NIIKKULA	●	●	●	●	●	●		●	●		●	●
CR MOUNSEY	●	●	●	●	●	●		●	●		●	●
CR DIXON	●	●	●	●	●	●		●	●		●	●
CR LAKE	●	●	●	●	●	●		●	●		●	●
CR LUCAS	●	●	●	●	●	●		●	●		●	●
CR PENFOLD	●	●	●									
CR MCCARROL												

NO OCM (between Dec 19 and Jan 20)

TERM EXPIRED (between Oct 19 and Nov 19)

CANCELLED DUE TO COVID-19 (between Apr 20 and May 20)

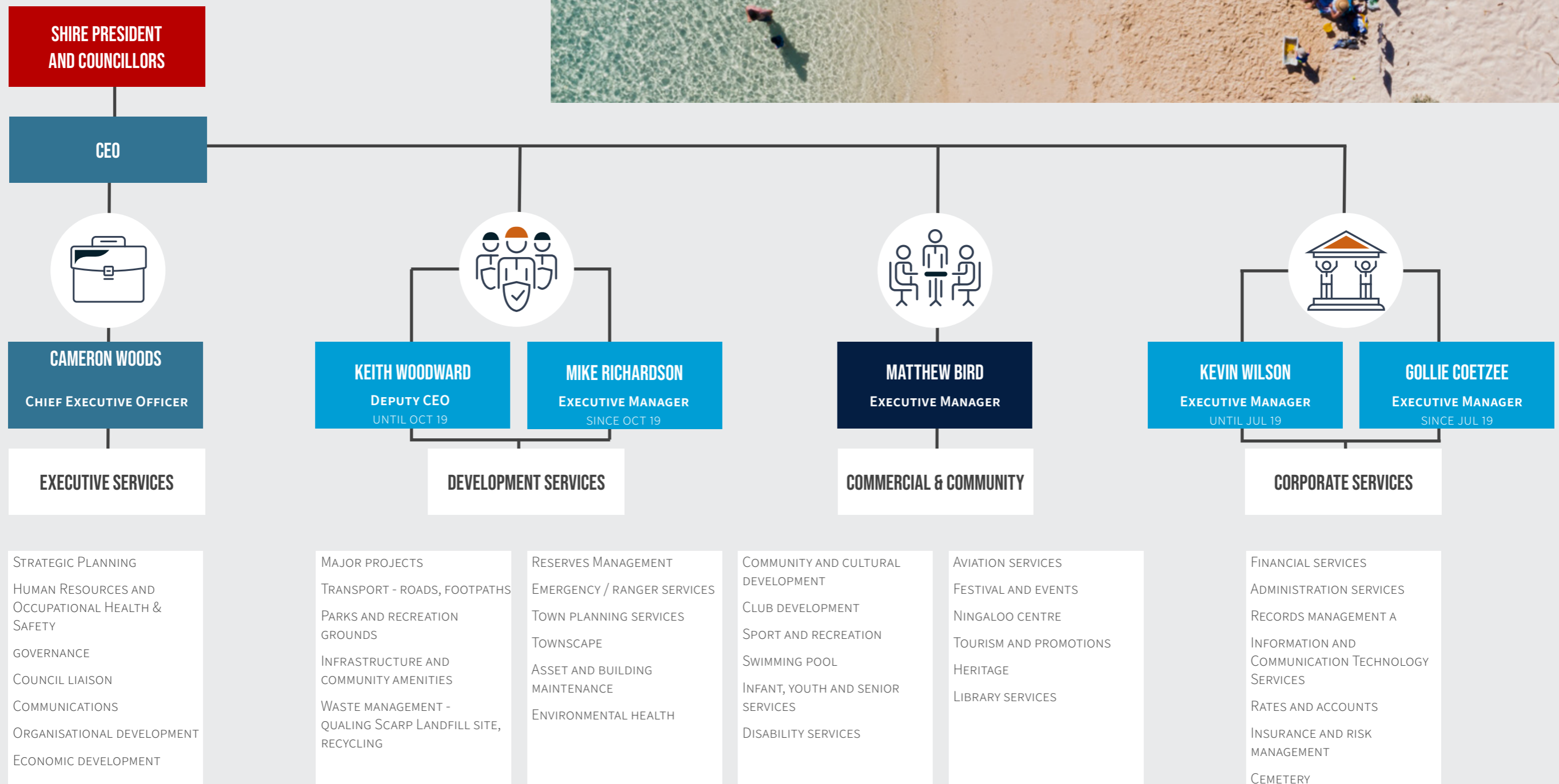
ELECTED MEMBER MEETING ATTENDANCE / SPECIAL COUNCIL MEETINGS 2019 - 2020

	OCT 19	DEC 19	APR 20
PRESIDENT NIIKKULA	●	●	●
CR MOUNSEY	●	●	●
CR DIXON	●	●	●
CR LAKE	●	●	●
CR LUCAS	●	●	●
CR MCCARROL	●	●	●

SERVICE DELIVERY STRUCTURE



The Shire of Exmouth was structured around four directorates during the 2019/20 financial year.



STRATEGIC COMMUNITY PLAN: EXMOUTH 2030



Our Community Strategic Plan: Exmouth 2030 (CSP) provides the direction and aspirations of our community and helps us develop a clear plan for the future.

The Corporate Business Plan then drives the whole of the organisational performance.

Based on the CSP, the four key themes, 'Economic', 'Environment', 'Social' & 'Leadership' underpinned and informed all of the work done by the Shire of Exmouth.

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

MOVING FORWARD

<p>RELOCATION OF THE DOG PUND</p> <p>\$15,000</p>	<p>NEW BIKE FACILITY</p> <p>\$350,000</p>	<p>NEW RUBBISH TRUCK</p> <p>\$362,000</p>
<p>PURCHASE OF LOT 1416 LEARMONTH</p> <p>\$325,000</p>	<p>POTABLE WATER DISPENSING UNIT</p> <p>\$50,000</p>	<p>FEDERATION PARK UPGRADES</p> <p>\$73,000</p>
<p>NINGALOO CENTRE SOLAR PANEL UPGRADE</p> <p>\$1,160,000</p>	<p>FULL BODY SCANNER LEA AIRPORT</p> <p>\$255,000</p>	<p>RECYCLING EQUIPMENT (BALER, RECYCLING SHED)</p> <p>\$68,000</p>



EQUAL EMPLOYMENT OPPORTUNITIES

“ THE WORKFORCE AT THE SHIRE OF EXMOUTH IS A DIVERSE TEAM AND ITS MEMBERS ARE PASSIONATE ABOUT OUR COMMUNITY.”

The local jobs the Shire provides help support our economy, and create many more jobs through the various contracts and projects that are realized each year.

The Shire is actively working to improve employment opportunities for local youth by working closely with the local Exmouth District High School and encouraging the employment of year 12 graduates within the local government.

Three Year 12 graduates were employed in permanent positions with the Shire and we continue to support school work placements in a range of work areas including the Aquarium, Aviation and Information Communications and Technology throughout the year.

In response to the COVID-19 pandemic, the Shire redeployed staff to other roles rather than taking the option to stand down employees.

This redeployment realised positive outcomes for employee satisfaction as well as enabling a program of cross-training opportunities that would protect the organisation from future business interruptions and make the organisation more resilient and sustainable.

EMPLOYEE RENUMERATION

In accordance with the Local Government (Administration) Regulations 19B, the Shire of Exmouth is required to disclose in bands of \$10,000 the number of employees entitled to an annual salary package of \$100,000 or more.

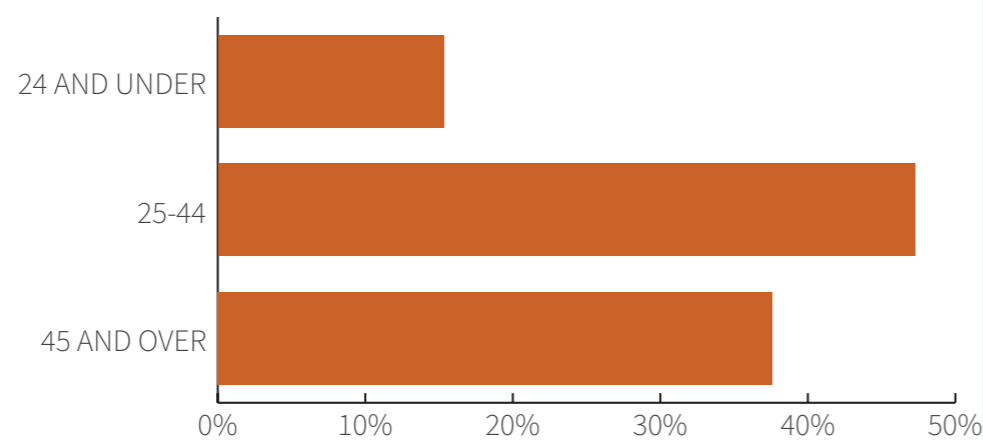
The annual salary package includes cash salary, superannuation and all employee entitlements

	2016	2017	2018	2019	2020
100,000 - 109,999	5	4	1		2
110,000 - 119,999			1	2	
120,000 - 129,999					4
130,000 - 139,999	2	2	1	1	
140,000 - 149,999					
150,000 - 159,999	1	1	1	1	
160,000 - 169,999					
170,000 - 179,999					
180,000 - 189,999		1	1	1	
190,000 - 199,999					
200,000 - 209,999					
210,000 - 219,999					1
TOTAL	8	8	5	5	7

EMPLOYEE SURVEY

53.16%
MALE

46.84%
FEMALE



FINANCIAL REPORT

REVIEW 2019/2020

The key element in understanding financial performance is to view its operations, excluding capital expenditure, over time.

Regular reports to Council on the Shire's financial performance demonstrate a good level of budgetary control; the Shire continues to receive unmodified audit reports.

The Shire's operating position reflects the revenues earned from rates and other income, such as fees and charges, and the expenses incurred in providing a wide range of services such as the library, the Paltridge Memorial Swimming Pool, roads, building and parks maintenance, and environmental and ranger services.

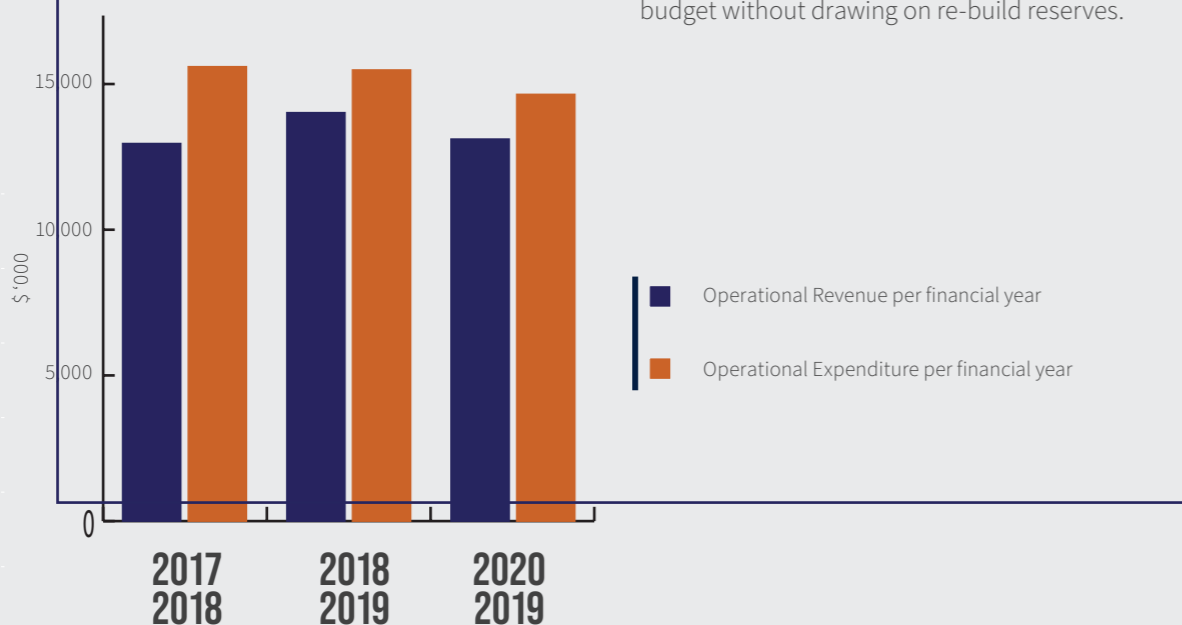
The Shires revenue is largely reliant upon fees and charges, which has been significantly impacted by the downturn in the oil and gas and tourism sector due to COVID-19 travel restrictions. Historically aviation income accounts for 38% of all Shire revenue, (with rates only 26%), demonstrating the reliance on the aviation and tourism sector in providing everyday services and additional community investments to our community.

The difference between revenues and expenditure represents the funds generated for capital expenditure and other items such as debt servicing.

The financial implications of COVID-19 on the Shire's Revenue in the 2019/2020 financial year have been an estimated \$1.5 million negative impact compared with the mid-year forecast.

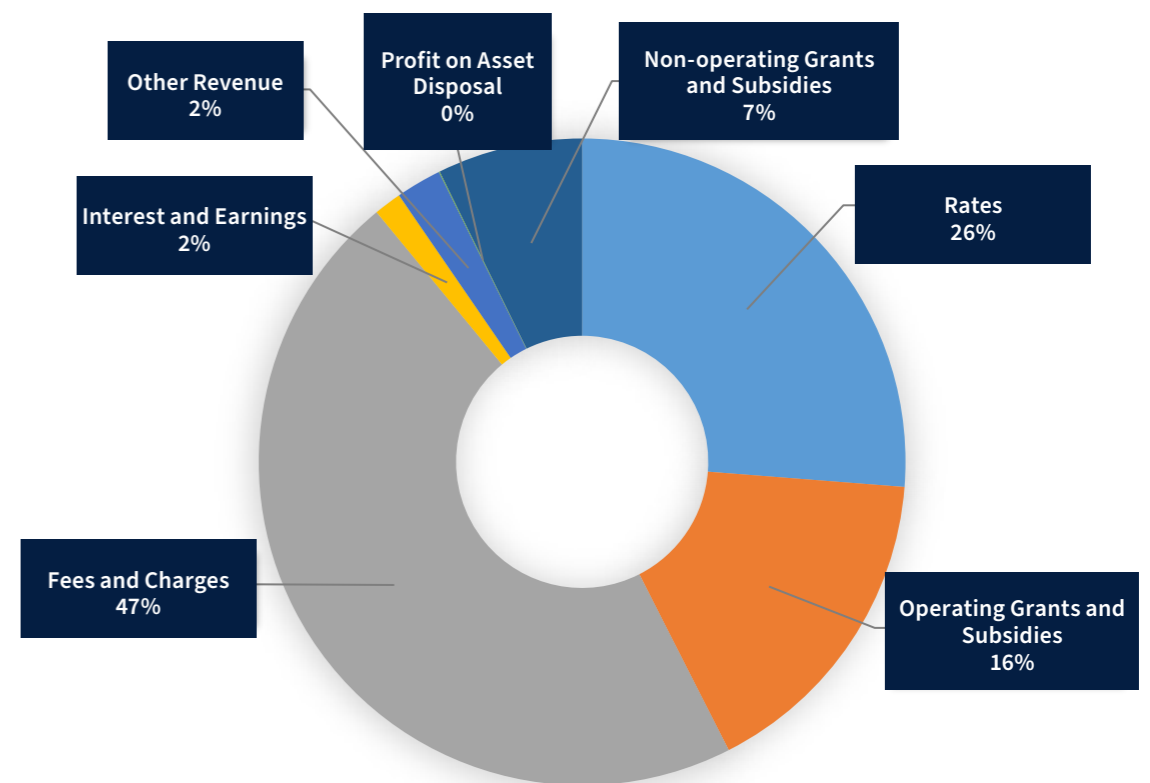
Fortunately, due to a strong first six months of operations and good financial management, the Shire had been able to maintain essential services, retain permanent staff and balanced the annual budget without drawing on re-build reserves.

OPERATING REVENUES AND EXPENDITURE



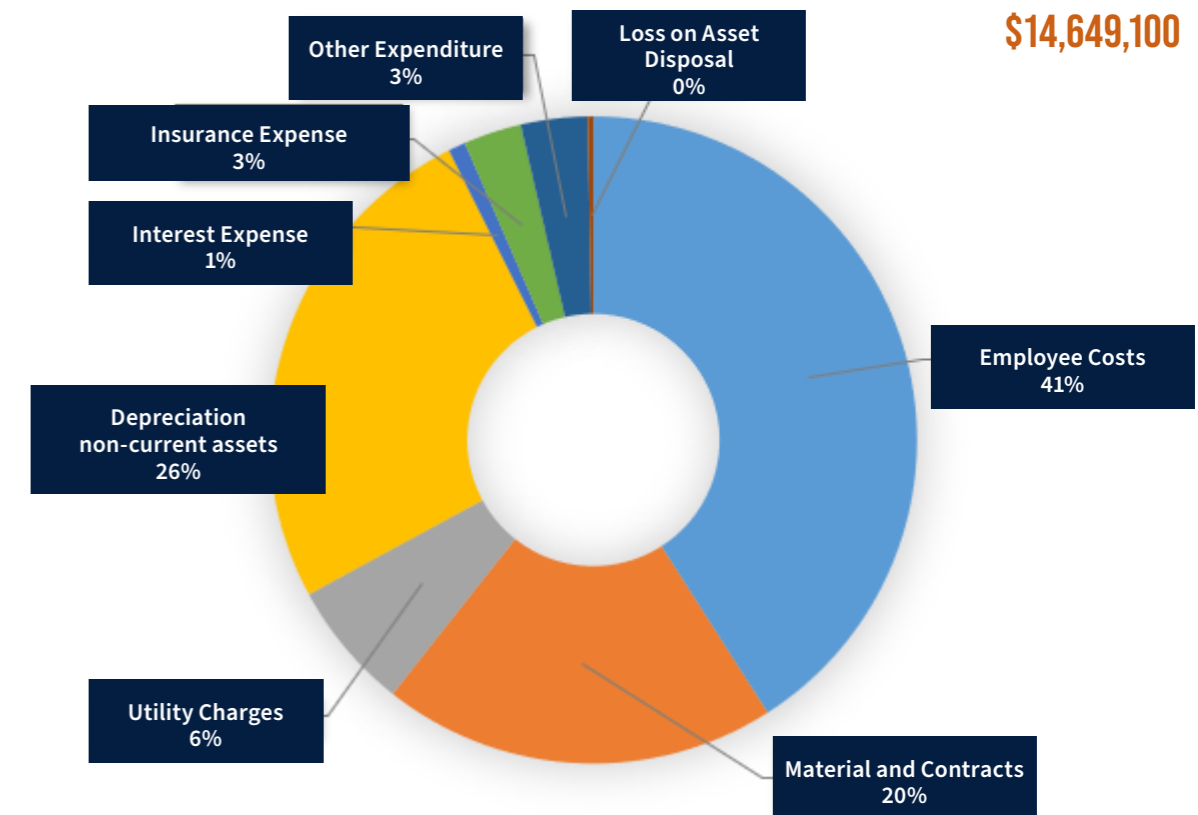
OPERATING REVENUE

\$13,116,262



OPERATING EXPENDITURE

\$14,649,100



HIGHLIGHTS 2019/2020

EXECUTIVE SERVICES

HUMAN RESOURCES

Regional Traineeship Program Grant received by the Department of Primary Industries and Regional Development (DPIRD), which made the employment of a Tourism Trainee to complete the nationally recognised Certificate 111 in Tourism possible.

STAFF TRAINING

- Operational Leadership, two-day workshop for Leaders facilitated by LGIS
- WALGA E-learning modules 'Understanding Local Government' and 'Conflict of Interest'
- E-learning 'Safety Hub' range of short courses

22 RESIGNATIONS **33** NEW STARTERS



CITIZENSHIP CEREMONY

GOVERNANCE

- 16** CITIZENSHIP CEREMONIES
- 10** ORDINARY COUNCIL MEETINGS
April cancelled due to COVID-19
- 3** SPECIAL COUNCIL MEETINGS

COMMUNICATIONS

- 23** MEDIA RELEASES
- 65** PUBLIC NOTICES
- 241** SOCIAL MEDIA POSTS
excluding Ningaloo Visitor Centre
- 51** NEWSLETTER

DEVELOPMENT SERVICES

ENGINEERING / PARKS & GARDENS

- 254 tonnes of cyclone kerb green waste mulch was processed during the year and is available for local residents
- Murat Road Stage 1A drainage works completed with \$283,766 in grant expenditure
- 400 tonne of landscaping rock to complete Maidstone Island upgrades
- 1,103 square metres of new footpaths installed
- Yardie Creek Road regional road group expenditure totalling \$183,769
- New Public Open Space built on Crevalle Way

TOWN PLANNING & BUILDING

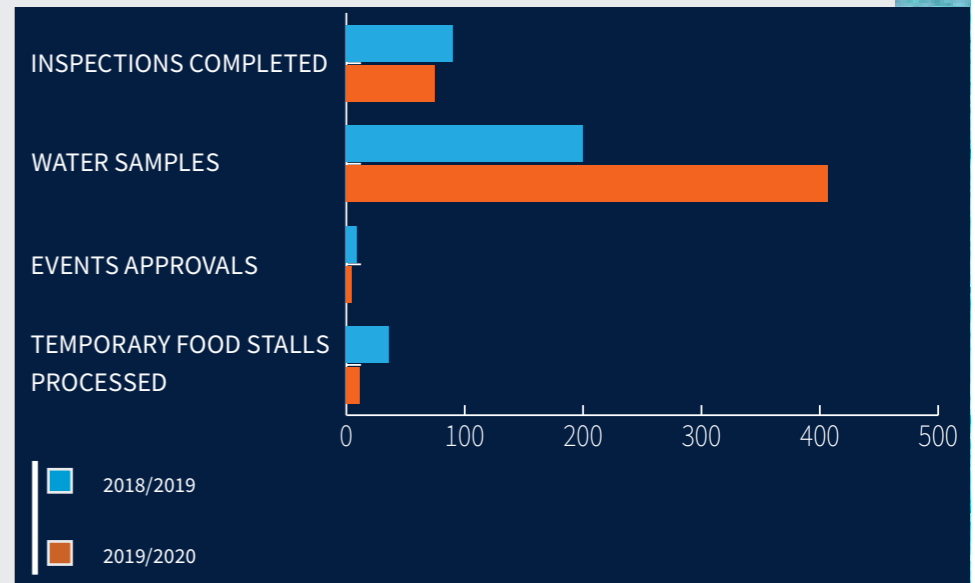
- Implemented a range of exemptions to local planning requirements under the State of Emergency powers, released by the Minister for Planning in response to the COVID-19 Pandemic
- 77 development applications received
- 2 Subdivision referral applications received from the Department of Planning, Lands and Heritage
- 2 Subdivision referral applications received from the Department of Planning, Lands and Heritage

RANGER & EMERGENCY SERVICES

- Participated in all relevant COVID-19 meetings
- First activation of the Local Recovery Coordination Group (LRCG) since Tropical Cyclone Olwyn 2015
- Local law review undertaken
- Captured video footage of all Exmouth roads for insurance purposes
- Record number of attendees at the Emergency Overflow Campground
- Completion of Bushfire risk assessment on all assets in the Shire at risk of bushfire for inclusion in the Bushfire Risk Management Plan
- Event held at the golf club to say thank you to all Local Emergency Services Volunteers
- 136 Infringements issued for illegal camping
- 42 Infringements issued for Parking and Animal Control in total

ENVIRONMENTAL HEALTH

- Participated in all relevant COVID-19 meetings
- Consulted and liaised with Lead Agencies and key stakeholders to give COVID-19 guidance to Council and community



THE PRINCIPAL FUNCTIONS OF THE DEVELOPMENT SERVICES ARE TO ENSURE NEW DEVELOPMENT COMPLIES WITH STATUTORY REQUIREMENTS; AND WHERE APPROPRIATE TO CARRY OUT ROUTINE INSPECTIONS OF EXISTING ESTABLISHMENTS/PUBLIC FACILITIES TO MAINTAIN AN ACCEPTABLE LEVEL OF PUBLIC HEALTH AND SAFETY FOR THE COMMUNITY.

DUE TO THE GLOBAL PANDEMIC COVID-19 THESE FUNCTIONS HAVE BEEN HEAVILY EXTENDED AS THE WORKFORCE IMPLEMENTED SOCIAL DISTANCING MEASURES, HANDED DOWN BY THE FEDERAL AND STATE GOVERNMENT, IMMEDIATELY TO KEEP OUR COMMUNITY SAFE AT ALL TIMES.

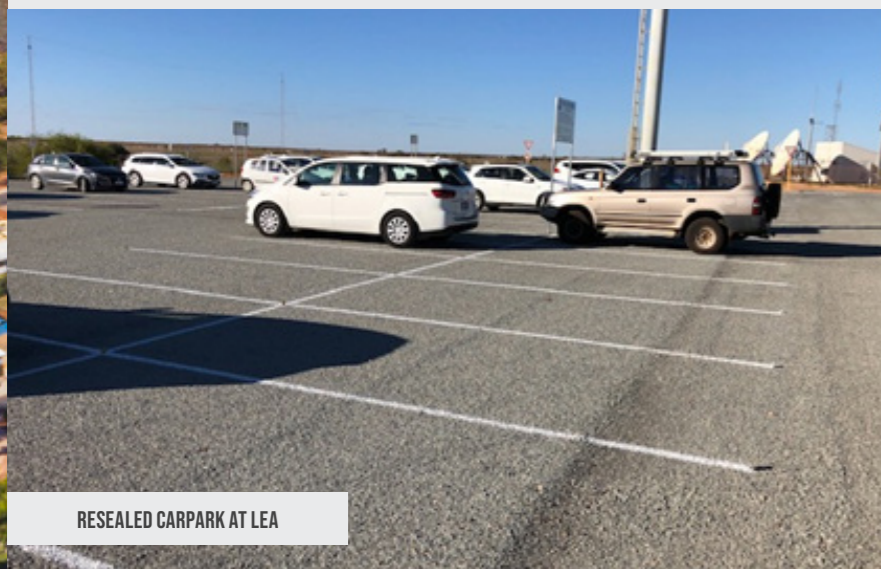


SHIRE INCORPORATES THE NINGALOO VISITOR CENTRE, STRENGTHENING RELATIONSHIPS WITH LOCAL BUSINESSES AND SUPPORTING ONE OF THE LARGEST INDUSTRIES (TOURISM) IN THE REGION

COMMERCIAL AND COMMUNITY

AVIATION

- Learmonth Airport processed 61,554 pax in 2019/2020 with the greatest reduction in numbers during the months of April, May and June which accounts for 21,422 out of the yearly reduction total of 23,206 this was as a direct result of the global pandemic
- Landscaping upgrades completed to airside and landside including the planting of 70 new trees and laying of 100 tonne local landscaping rock that reflects the townsite landscaping projects
- Carpark resealed and line marked.
- Learmonth Heliport processed 9,394 pax in 2019/2020 with a reduction of 7,101 as a result of COVID-19 and the limitations this placed on the Offshore industry
- Heliport external makeover with painting and new signage project commenced
- Reseal Exmouth Aerodrome runway
- 2 x new smokers shelters installed landside at Learmonth Airport totalling \$27,822



RESEALED CARPARK AT LEA

COMMUNITY DEVELOPMENT

- Provided governance assistance to clubs regarding policies, club structures and constitutions

- 48** COMMUNITY ORGANISATIONS SERVICED
- 10** CLUBS SUPPORTED TO APPLY FOR SHIRE COMMUNITY GRANTS
- 7** WORKSHOPS/PRESENTATIONS DELIVERED TO CLUBS & NPOS
- 14** COMMUNITY & SPORTING GRANTS AWARDED TO 12 ORGANISATIONS \$20,758.20
- 8** MAJOR EVENT SPONSORSHIPS AWARDED \$26,195.50
- 6** DONATIONS AWARDED TO SIX ORGANISATIONS \$2,281.00

LIBRARY

- COVID-19 related closure to the public from March 2020 until the end of May 2020
- Implementation of a monthly newsletter to keep members informed on Library matters

- 23,734** LIBRARY VISITORS
- 1,301** ACTIVE MEMBERS
- 259** NEW MEMBERS 2019/2020
- 10,440** ITEMS LOANED
- 1,270** ELECTRONIC RESOURCES LOANED
- 1,451** PEOPLE PARTICIPATING IN LIBRARY EVENTS

EVENTS

- NAIDOC Week- EDHS Art Display in Ningaloo Centre
- Rolling Solo Australia - registration event
- Vietnam Veterans Day
- Children's Week - Messy Mud Play Day
- Mental Health Week
- Seniors Week
- Remembrance Day
- Christmas in the Ningaloo Centre
- 2020 Australia Day – Breakfast at the pool
- Jetski- Guinness book of records attempt
- Event Management workshop - for community
- A Taste of Harmony
- Exmouth Staff Rubbish Collection
- Mural Tasters- Bundegi Beach

PALTRIDGE MEMORIAL SWIMMING POOL

- Providing an aquatic training & recreational facility to our community that is welcoming and safe and is financially sustainable for the rate payers of the Shire of Exmouth

SEASON

8th May 2019 to 25th March 2020 (Closed 20% early due to COVID 19, scheduled to close 8th May 2020)

24,187 ANNUAL PATRONAGE

USER GROUPS

Exmouth Amateur Swimming Club, Exmouth District High School, Vac Sim, TAFE, Shire of Exmouth Community Department, Exmouth Swim School, PCYC, WA Country Health Service aqua Aerobics, Little Athletics, Cape Youth, Gymnastics, Scripture Union, Rottnest Channel Swim Association, AustSwim, Royal Life Saving WA, Exmouth Dive Centre, Dive Ningaloo, Salty Hearts Freediving and Liv for the sea freediving

MAIN EVENTS & ACTIVITIES

Pool Open Day, Aqua Run Fun Days, Exmouth Swim School private lessons, Intern Swimming Lessons, VacSwim, Virtual Rottnest Channel Swim, Australia Day Breakfast, Aqua Aerobics, School physical education, TAFE marine vessel safety courses, AUSTSWIM teacher of swimming and water safety course, SCUBA diving training, Freediving training, birthdays and pool parties of all kinds



EXMOUTH MESSY MUD PLAY DAY - CHILDREN'S WEEK



JIGSAWS AT THE EXMOUTH PUBLIC LIBRARY - SENIORS WEEK



AUSTRALIA DAY AT THE PALTRIDGE MEMORIAL SWIMMING POOL



TREVOR GLEESON VISIT



EXMOUTH STAFF RUBBISH COLLECTION



MINISTER VISIT AT EXMOUTH KART CLUB



OPENING CREVALLE WAY PARK & PLAYGROUND



'BETTER BEGINNINGS' SING WITH ME PROGRAM (BACKPACK)

STATUTORY REPORTING

DISABILITY ACCESS & INCLUSION PLAN (DAIP)

Ongoing implementation of the Shire's Disability Access and Inclusion Plan (DAIP) took place during the year 2019-2020.

The Shire has continued to implement various initiatives and programs contained within the DAIP. The Shire reports on the achievements of the Plan on an annual basis to the Disability Services Commission. Major initiatives implemented this year included the upgrade and maintenance of arterial footpaths and the installation of a ramp access from Murat Road footpaths to the main entry doors of the Ningaloo Centre.

The Shire continued to encourage the use of universal methods of consultation that meet the needs of people with disabilities in 2019/2020.

DAIP strategies were implemented during community consultation undertaken when delivering a range of community engagement workshops. More access and inclusion initiatives as well as a Major Review of the Shire's DAIP have been budgeted for in 2020/2021 financial year.

STATE RECORDS ACT

The Shire's current Recordkeeping Plan was approved by the State Records Commission in December 2014. The next review is due 5 December 2020, which has been drafted and ready for submission. The Recordkeeping Plan details all record keeping practices across the organisation and incorporates legal requirements set by State Records.

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

REGISTER OF COMPLAINTS

Section 5.121 of the Local Government Act 1995 (Register of certain complaints of minor breaches) requires the complaints officer for each local government to maintain a register of complaints which records all complaints that result in action under section 5.110(6)(b) or (c) of the Act (Conduct of Certain Officials). Section 5.53 (2) of the Local Government Act 1995 requires that details of entries made under section 5.121 during the financial year in the register of complaints, including;

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

There were no complaints received pursuant to s5.121 of the Local Government Act 1995 by the Shire of Exmouth during the 2019/20 reporting period.

FREEDOM OF INFORMATION

The Shire of Exmouth will, in all instances, seek to provide access to information upon request, except where there may be issues under the Privacy Act 1998 or Freedom of Information Act 1992 or other relevant legislation.

An Application for Access to Documents form is available on the Shire's website or upon request. The Shire processed one (1) Freedom of Information request in 2019-2020.

NATIONAL COMPETITION POLICY

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

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

The CPA (as amended 13 April 2007) sets out nominated principles from the agreement that now applies to local government. The provisions of the CPA require local government to report annually on implementation, application and effects of Competition Policy.

Competition Policy does not require contracting out or competitive tendering.

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

It does require local governments to identify significant business activities and apply competitive disciplines to those businesses which compete with the private sector. In July 1996 the State Government released a Policy Statement called Clause 7 which describes the application of specific "Competition Principles" to the activities and functions of local government pursuant to the National Competition Policy package.

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

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

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

FINANCIAL REPORT



SHIRE OF EXMOUTH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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COMMUNITY VISION

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

Principal place of business:
2 Truscott Crescent
EXMOUTH WA 6707

**SHIRE OF EXMOUTH
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Exmouth for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Exmouth at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the

8

day of

DECEMBER

2020



Chief Executive Officer

Cameron Woods

Name of Chief Executive Officer



SHIRE OF EXMOUTH
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	26(a)	3,441,288	3,434,306	3,416,224
Operating grants, subsidies and contributions	2(a)	2,134,785	976,000	2,382,301
Fees and charges	2(a)	6,102,116	7,165,610	7,569,571
Interest earnings	2(a)	181,392	195,051	238,777
Other revenue	2(a)	298,450	88,399	415,692
		<u>12,158,031</u>	<u>11,859,366</u>	<u>14,022,565</u>
Expenses				
Employee costs		(5,999,037)	(6,713,128)	(6,358,115)
Materials and contracts		(2,885,719)	(3,664,652)	(2,753,547)
Utility charges		(942,159)	(799,314)	(842,565)
Depreciation on non-current assets	11(b)	(3,744,270)	(2,905,447)	(4,802,226)
Interest expenses	2(b)	(125,451)	(81,595)	(83,378)
Insurance expenses		(424,499)	(462,594)	(438,658)
Other expenditure		(487,137)	(437,779)	(206,408)
		<u>(14,608,272)</u>	<u>(15,064,509)</u>	<u>(15,484,897)</u>
		<u>(2,450,241)</u>	<u>(3,205,143)</u>	<u>(1,462,332)</u>
Non-operating grants, subsidies and contributions	2(a)	952,050	722,332	4,404,648
Profit on asset disposals	11(a)	6,181	0	10,717
(Loss) on asset disposals	11(a)	(40,828)	(131,359)	(39,403)
Fair value adjustments to financial assets at fair value through profit or loss		106,832	0	0
		<u>1,024,235</u>	<u>590,973</u>	<u>4,375,962</u>
Net result for the period		(1,426,006)	(2,614,170)	2,913,630
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	214,229	0	0
Total other comprehensive income for the period		214,229	0	0
Total comprehensive income for the period		(1,211,777)	(2,614,170)	2,913,630

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



SHIRE OF EXMOUTH
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
	2(a)			
Governance		18,400	0	171,168
General purpose funding		5,399,191	4,544,376	5,536,439
Law, order, public safety		53,524	16,020	52,571
Health		45,476	46,222	51,170
Education and welfare		2,346	1,600	2,612
Housing		66,387	44,200	64,333
Community amenities		1,301,754	1,242,442	1,260,703
Recreation and culture		632,156	709,450	1,000,814
Transport		3,941,538	4,624,579	5,447,375
Economic services		491,865	613,577	217,183
Other property and services		205,394	16,900	218,197
		12,158,031	11,859,366	14,022,565
Expenses				
	2(b)			
Governance		(932,013)	(780,925)	(812,660)
General purpose funding		(86,993)	(96,330)	(144,884)
Law, order, public safety		(339,647)	(335,438)	(450,626)
Health		(242,675)	(301,351)	(221,628)
Education and welfare		(75,560)	(69,998)	(80,029)
Housing		(79,850)	(21,990)	(31,692)
Community amenities		(1,427,317)	(1,811,343)	(1,752,352)
Recreation and culture		(4,795,849)	(4,797,129)	(4,883,144)
Transport		(5,292,582)	(5,344,984)	(6,402,969)
Economic services		(908,653)	(1,326,842)	(460,522)
Other property and services		(301,682)	45,458	(161,013)
		(14,482,821)	(14,840,872)	(15,401,519)
Finance Costs				
	2(b)			
Housing		(28,090)	(65,557)	(32,143)
Community amenities		(5,520)	(81,953)	(7,461)
Recreation and culture		(29,236)	(55,948)	(31,055)
Transport		(9,188)	0	0
Other property and services		(53,417)	(20,179)	(12,719)
		(125,451)	(223,637)	(83,378)
		(2,450,241)	(3,205,143)	(1,462,332)
Non-operating grants, subsidies and contributions	2(a)	952,050	722,332	4,404,648
Profit on disposal of assets	11(a)	6,181	0	10,717
(Loss) on disposal of assets	11(a)	(40,828)	(131,359)	(39,403)
Fair value adjustments to financial assets at fair value through profit or loss		106,832	0	0
		1,024,235	590,973	4,375,962
Net result for the period		(1,426,006)	(2,614,170)	2,913,630
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	214,229	0	0
Total other comprehensive income for the period		214,229	0	0
Total comprehensive income for the period		(1,211,777)	(2,614,170)	2,913,630

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



**SHIRE OF EXMOUTH
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	12,209,277	12,182,541
Trade and other receivables	6	1,269,474	1,818,362
Inventories	7	83,264	55,830
Other assets	8	0	40,615
TOTAL CURRENT ASSETS		13,562,015	14,097,348
NON-CURRENT ASSETS			
Trade and other receivables	6	128,646	126,981
Other financial assets	5(b)	106,832	0
Inventories	7	964,175	1,285,567
Property, plant and equipment	9	67,725,767	67,232,392
Infrastructure	10	51,275,572	51,795,395
Right of use assets	12(a)	285,774	0
TOTAL NON-CURRENT ASSETS		120,486,766	120,440,335
TOTAL ASSETS		134,048,781	134,537,683
CURRENT LIABILITIES			
Trade and other payables	14	1,838,736	1,005,572
Contract liabilities	15	217,000	0
Lease liabilities	16(a)	148,937	0
Borrowings	17(a)	231,702	223,637
Employee related provisions	18	770,177	958,906
TOTAL CURRENT LIABILITIES		3,206,552	2,188,115
NON-CURRENT LIABILITIES			
Lease liabilities	16(a)	140,867	0
Borrowings	17(a)	1,543,621	1,775,323
Employee related provisions	18	102,051	89,778
TOTAL NON-CURRENT LIABILITIES		1,786,539	1,865,101
TOTAL LIABILITIES		4,993,091	4,053,216
NET ASSETS		129,055,690	130,484,467
EQUITY			
Retained surplus		65,117,313	66,417,461
Reserves - cash backed	4	9,009,299	9,352,157
Revaluation surplus	13	54,929,078	54,714,849
TOTAL EQUITY		129,055,690	130,484,467

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



**SHIRE OF EXMOUTH
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		66,418,538	6,437,450	54,714,849	127,570,838
Comprehensive income					
Net result for the period		2,913,630	0	0	2,913,630
Total comprehensive income		2,913,630	0	0	2,913,630
Transfers from reserves	4	1,168,753	(1,168,753)	0	0
Transfers to reserves	4	(4,083,460)	4,083,460	0	0
Balance as at 30 June 2019		66,417,461	9,352,157	54,714,849	130,484,468
Change in accounting policy	29(c)	(217,000)	0	0	(217,000)
Restated total equity at 1 July 2019		66,200,461	9,352,157	54,714,849	130,267,468
Comprehensive income					
Net result for the period		(1,426,006)	0	0	(1,426,006)
Other comprehensive income	13	0	0	214,229	214,229
Total comprehensive income		(1,426,006)	0	214,229	(1,211,777)
Transfers from reserves	4	1,385,500	(1,385,500)	0	0
Transfers to reserves	4	(1,042,642)	1,042,642	0	0
Balance as at 30 June 2020		65,117,313	9,009,299	54,929,078	129,055,690

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

**SHIRE OF EXMOUTH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,299,772	3,434,306	3,351,216
Operating grants, subsidies and contributions		2,829,927	976,000	2,219,062
Fees and charges		6,102,116	7,165,610	7,569,571
Interest received		181,392	195,051	238,777
Other revenue		298,450	88,399	415,692
		12,711,657	11,859,366	13,794,318
Payments				
Employee costs		(6,137,883)	(6,713,128)	(6,374,591)
Materials and contracts		(1,765,356)	(3,664,652)	(3,009,373)
Utility charges		(942,159)	(799,314)	(842,565)
Interest expenses		(125,451)	(81,595)	(76,805)
Insurance paid		(424,499)	(462,594)	(438,658)
Goods and services tax paid		(139)	0	104,844
Other expenditure		(487,137)	(437,779)	(206,408)
		(9,882,624)	(12,159,062)	(10,843,556)
Net cash provided by (used in) operating activities	19	2,829,033	(299,696)	2,950,762
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	9(a)	(2,122,027)	(2,158,100)	(1,031,751)
Payments for construction of infrastructure	10(a)	(1,417,069)	(2,015,170)	(3,111,841)
Non-operating grants, subsidies and contributions	2(a)	952,050	722,332	4,404,648
Proceeds from sale of property, plant & equipment	11(a)	137,283	80,500	108,046
Net cash provided by (used in) investment activities		(2,449,763)	(3,370,438)	369,102
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance to community groups		(22,000)	0	0
Proceeds from community loans		25,500	0	0
Repayment of borrowings	17(b)	(223,637)	(223,637)	(263,832)
Payments for principal portion of lease liabilities	16(b)	(132,397)	0	0
Net cash provided by (used in) financing activities		(352,534)	(223,637)	(263,832)
Net increase (decrease) in cash held Cash at beginning of year		26,736 12,182,541	(3,893,771) 12,165,339	3,056,032 9,126,509
Cash and cash equivalents at the end of the year	19	12,209,277	8,271,568	12,182,541

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

**SHIRE OF EXMOUTH
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)				
	27 (b)	3,716,619	3,040,153	2,893,349
		3,716,619	3,040,153	2,893,349
Revenue from operating activities (excluding rates)				
Governance		125,232	0	171,168
General purpose funding		2,006,043	1,157,151	2,172,757
Law, order, public safety		53,524	16,020	52,571
Health		45,476	46,222	51,170
Education and welfare		2,346	1,600	2,612
Housing		66,387	44,200	64,333
Community amenities		1,301,754	1,242,442	1,260,703
Recreation and culture		632,156	709,450	1,000,814
Transport		3,947,719	4,624,579	5,458,092
Economic services		491,865	613,577	217,183
Other property and services		205,394	16,900	218,197
		8,877,896	8,472,141	10,669,600
Expenditure from operating activities				
Governance		(932,013)	(780,925)	(812,660)
General purpose funding		(86,993)	(96,330)	(144,884)
Law, order, public safety		(339,647)	(335,438)	(450,626)
Health		(242,675)	(301,351)	(221,628)
Education and welfare		(75,560)	(69,998)	(80,029)
Housing		(107,940)	(87,547)	(63,835)
Community amenities		(1,432,837)	(1,893,296)	(1,759,813)
Recreation and culture		(4,825,085)	(4,853,077)	(4,914,199)
Transport		(5,342,598)	(5,476,930)	(6,428,374)
Economic services		(908,653)	(1,326,842)	(460,522)
Other property and services		(355,099)	25,279	(187,730)
		(14,649,100)	(15,196,455)	(15,524,300)
Non-cash amounts excluded from operating activities	27(a)	3,812,156	3,196,907	5,118,725
Amount attributable to operating activities		1,757,571	(487,254)	3,157,374
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	952,050	722,332	4,404,648
Proceeds from disposal of assets	11(a)	137,283	80,500	108,046
Purchase of property, plant and equipment	9(a)	(2,122,027)	(2,158,100)	(1,031,751)
Purchase and construction of infrastructure	10(a)	(1,417,069)	(2,015,170)	(3,111,841)
Amount attributable to investing activities		(2,449,763)	(3,370,438)	369,102
FINANCING ACTIVITIES				
Advance to community groups		(22,000)	0	(60,000)
Proceeds from community loans		25,500	0	65,000
Repayment of borrowings	17(b)	(223,637)	(223,637)	(263,832)
Payments for principal portion of lease liabilities	16(b)	(132,397)	0	0
Transfers to reserves (restricted assets)	4	(1,042,642)	(587,049)	(4,083,460)
Transfers from reserves (restricted assets)	4	1,385,500	1,329,300	1,168,753
Amount attributable to financing activities		(9,676)	518,614	(3,173,539)
Surplus/(deficit) before imposition of general rates		(701,868)	(3,339,078)	352,937
Total amount raised from general rates	26(a)	3,393,148	3,387,225	3,363,682
Surplus/(deficit) after imposition of general rates	27(b)	2,691,280	48,147	3,716,619

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

SHIRE OF EXMOUTH
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FOR THE YEAR ENDED 30 JUNE 2020

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SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

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

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

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

On 1 July 2020 the following new accounting standards are to be adopted:

- *AASB 1059 Service Concession Arrangements: Grantors*
- *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality*

AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.

Specific impacts of *AASB 2018-7 Amendments to Australian Accounting Standards - Materiality*, have not been identified.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 to these financial statements.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance	15,000	0	0
General purpose funding	1,787,080	920,000	1,892,207
Law, order, public safety	0	160,000	20,253
Health	5,011	0	0
Recreation and culture	11,887	0	322,915
Transport	96,139	0	95,419
Economic services	200,000	0	30,000
Other property and services	19,667	16,000	21,507
	2,134,785	1,096,000	2,382,301
Non-operating grants, subsidies and contributions			
Law, order, public safety	0	0	151,847
Community amenities	77,168	0	67,300
Recreation and culture	170,000	290,000	1,416,985
Transport	704,882	432,332	2,768,516
	952,050	722,332	4,404,648
Total grants, subsidies and contributions	3,086,835	1,818,332	6,786,949
Fees and charges			
General purpose funding	37,571	41,100	41,773
Law, order, public safety	9,122	12,020	13,247
Health	40,464	36,222	51,170
Education and welfare	641	100	432
Housing	63,505	44,200	61,798
Community amenities	1,300,868	1,129,767	1,258,788
Recreation and culture	555,535	573,470	607,451
Transport	3,845,399	4,624,579	5,345,015
Economic services	247,783	597,577	187,096
Other property and services	1,228	900	2,801
	6,102,116	7,059,935	7,569,571

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

Contracts with customers and transfers for recognisable non-financial assets

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

Non-operating grants, subsidies and contributions

	2020 Actual \$	2020 Budget \$	2019 Actual \$
	952,050	722,332	4,404,648
	952,050	722,332	4,404,648
	0		
	952,050	722,332	4,404,648
	952,050	722,332	4,404,648
	735,079		
	0		0

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Contracts with customers included as a contract liability at the start of the period

Other revenue from performance obligations satisfied during the year

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers

Contract liabilities from contracts with customers

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met. Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

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

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

General rates	3,393,148	3,387,225	3,363,682
Specified area rates	48,140	47,081	52,542
Fines	10,039	0	7,867
	3,451,327	3,434,306	3,424,091

Other revenue

Reimbursements and recoveries	110,370	88,399	349,115
Sale of inventory	133,154	0	66,577
Other	54,926	0	0
	298,450	88,399	415,692

Interest earnings

Interest on reserve funds	101,317	117,051	157,641
Rates instalment and penalty interest (refer Note 26(e))	64,234	58,000	64,562
Other interest earnings	15,841	20,000	16,574
	181,392	195,051	238,777

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report	50,500	51,500	47,000
- Other services	1,750	35,800	30,417
	52,250	87,300	77,417

Interest expenses (finance costs)

Borrowings	17(b) 74,327	74,327	83,378
Other	41,374	7,268	0
Lease liabilities	16(b) 9,750	0	0
	125,451	81,595	83,378

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

NOTE	2020 \$	2019 \$
Cash at bank and on hand	12,209,277	12,182,541
Total cash and cash equivalents	12,209,277	12,182,541
Restrictions		
requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	9,226,299	10,349,978
	9,226,299	10,349,978

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash backed	4	9,009,299	9,352,157
Contract liabilities from contracts with customers	15	217,000	0
Unspent grants, subsidies and contributions		0	570,620
Bonds & Deposits Held		0	17,201
Unspent loans	17(c)	0	410,000
Total restricted assets		9,226,299	10,349,978

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH BACKED	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	688,110	7,452		695,562	688,110	9,462	0	697,572	255,275	432,835	0	688,110
(b) Aviation Reserve	1,244,600	13,479	(91,500)	1,166,579	1,244,600	17,988	(30,000)	1,232,588	1,173,441	171,159	(100,000)	1,244,600
(c) Building Infrastructure Reserve	628,949	6,811	(40,000)	595,760	628,949	6,307	(50,000)	585,256	369,175	259,774	0	628,949
(d) Community Development Reserve	1,360,721	14,738	0	1,375,459	1,360,721	27,281	(30,000)	1,358,002	1,659,472	40,294	(339,045)	1,360,721
(e) Community Interest Free Reserve	339,770	3,680	(22,000)	321,450	339,770	5,585	0	345,355	390,299	9,471	(60,000)	339,770
(f) Insurance/Natural Disaster Reserve	181,056	1,960	0	183,016	181,056	3,013	0	184,069	176,386	4,670	0	181,056
(g) Land Acquisition Reserve	717,892	443,981	(425,000)	736,873	717,892	0	0	717,892	0	717,892	0	717,892
(h) Marina Canal Reserve (Specified Area Rates)	308,782	51,487	0	360,269	308,782	5,139	0	313,921	255,079	53,703	0	308,782
(i) Marina Village Asset Replacement Reserve	32,912	356	0	33,268	32,912	548	0	33,460	5,986	26,926	0	32,912
(j) Mosquito Management Reserve	10,000	108	0	10,108	10,000	0	0	10,000	0	10,000	0	10,000
(k) Ningaloo Centre Reserve	253,095	2,741	0	255,836	253,095	82,548	0	335,643	0	253,095	0	253,095
(l) Plant Reserve	984,318	10,661	(807,000)	187,979	984,318	402,106	(807,000)	579,424	719,476	614,842	(350,000)	984,318
(m) Public Radio Infrastructure Reserve	5,103	55	0	5,158	5,103	85	0	5,188	0	5,103	0	5,103
(n) Rehabilitation Reserve	249,415	2,701	0	252,116	249,415	3,485	0	252,900	204,013	45,402	0	249,415
(o) Roads Reserve	586,492	6,352	0	592,844	586,492	4,614	0	591,106	0	586,492	0	586,492
(p) Shire President COVID-19 Relief Fund	0	40,000	0	40,000	0	0	0	0	0	0	0	0
(q) Shire Staff Housing Reserve	134,917	1,461	0	136,378	134,917	562	0	135,479	34,016	100,901	0	134,917
(r) Swimming Pool Reserve	541,961	5,870	0	547,831	541,961	7,118	0	549,079	430,561	111,400	0	541,961
(s) Tourism Development Reserve	0	200,008	0	200,008	0	0	0	0	0	0	0	0
(t) Town Planning Scheme Reserve	21,621	234	0	21,855	21,621	348	0	21,969	21,063	558	0	21,621
(u) Waste & Recycle Management Reserve	1,062,443	11,507	0	1,073,950	1,062,442	10,860	(270,000)	803,302	648,924	413,519	0	1,062,443
(v) Unspent Grants & Contributions Reserve	0	217,000	0	217,000	0	0	(142,300)	(142,300)	94,284	225,424	(319,708)	0
	9,352,157	1,042,642	(1,385,500)	9,009,299	9,352,156	587,049	(1,329,300)	8,609,905	6,437,450	4,083,460	(1,168,753)	9,352,157

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

4. RESERVES - CASH BACKED (Continued)

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

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

5. OTHER FINANCIAL ASSETS

(b) Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

	2020	2019
	\$	\$
	106,832	0
	<u>106,832</u>	<u>0</u>
	106,832	0
	<u>106,832</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 28.

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable
Trade and other receivables
GST receivable
Loans Receivables - clubs/institutions

Non-current

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

	2020	2019
	\$	\$
	510,805	365,141
	735,079	1,430,221
	890	0
	22,700	23,000
	1,269,474	1,818,362
	46,846	41,981
	81,800	85,000
	128,646	126,981

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 28.

Classification and subsequent measurement

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

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

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

7. INVENTORIES

Current

Fuel and materials
Visitor centre stock

Non-current

Land held for resale - cost
Cost of acquisition

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year
Additions to inventory

Carrying amount at end of period

	2020	2019
	\$	\$
	14,591	55,830
	68,673	0
	83,264	55,830
	964,175	1,285,567
	964,175	1,285,567
	1,341,397	1,475,110
	(461,416)	(160,696)
	167,458	26,983
	1,047,439	1,341,397

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

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

Land held for resale (Continued)

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

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

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

**SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020**

8. OTHER ASSETS

Other assets - current

Accrued income

2020	2019
\$	\$
0	40,615
0	40,615

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

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

Non-current assets held for sale

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

Non-current assets held for sale (Continued)

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

The fair value of land and buildings was determined using the sales comparison approach using comparable properties in the area. This is a level 2 measurement as per the fair value heirachy set out in Note 31(h).

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Other plant and equipment Works in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	7,703,000	7,703,000	5,299,764	51,161,440	56,461,204	64,164,204	1,617,142	2,549,312	0	68,330,658
Additions	0	0	30,320	189,867	220,187	220,187	152,082	391,134	268,348	1,031,751
(Disposals)	0	0	0	0	0	0	0	(136,732)	0	(136,732)
Depreciation (expense)	0	0	(101,913)	(1,005,620)	(1,107,533)	(1,107,533)	(291,216)	(594,536)	0	(1,993,285)
Transfers	0	0	(229,674)	229,674	0	0	0	0	0	0
Carrying amount at 30 June 2019	7,703,000	7,703,000	4,998,497	50,575,361	55,573,858	63,276,858	1,478,008	2,209,178	268,348	67,232,392
Comprises:										
Gross carrying amount at 30 June 2019	7,703,000	7,703,000	6,903,189	75,562,891	82,466,080	90,169,080	3,774,743	5,904,168	268,348	100,116,339
Accumulated depreciation at 30 June 2019	0	0	(1,904,692)	(24,987,530)	(26,892,222)	(26,892,222)	(2,296,735)	(3,694,990)	0	(32,883,947)
Carrying amount at 30 June 2019	7,703,000	7,703,000	4,998,497	50,575,361	55,573,858	63,276,858	1,478,008	2,209,178	268,348	67,232,392
Additions	0	0	112,330	273,501	385,831	385,831	14,866	620,699	1,105,360	2,126,756
(Disposals)	0	0	0	0	0	0	0	(171,930)	0	(171,930)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	462,000	462,000	462,000	(216,924)	(19,622)	0	225,454
Depreciation (expense)	0	0	(90,078)	(965,878)	(1,055,956)	(1,055,956)	(255,530)	(370,690)	0	(1,682,176)
Transfers	0	0	0	15,664	15,664	15,664	0	247,955	(268,348)	(4,729)
Carrying amount at 30 June 2020	7,703,000	7,703,000	5,020,749	50,360,648	55,381,397	63,084,397	1,020,420	2,515,590	1,105,360	67,725,767
Comprises:										
Gross carrying amount at 30 June 2020	7,703,000	7,703,000	7,015,520	76,692,056	83,707,576	91,410,576	2,339,342	6,072,573	1,105,360	100,927,851
Accumulated depreciation at 30 June 2020	0	0	(1,994,771)	(26,331,408)	(28,326,179)	(28,326,179)	(1,318,922)	(3,556,983)	0	(33,202,084)
Carrying amount at 30 June 2020	7,703,000	7,703,000	5,020,749	50,360,648	55,381,397	63,084,397	1,020,420	2,515,590	1,105,360	67,725,767

SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

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

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

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

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - roads	Infrastructure - other	Other infrastructure - Works in progress	Total Infrastructure
	\$	\$	\$	\$
Balance at 1 July 2018	36,463,466	15,029,029	0	51,492,495
Additions	2,552,038	424,005	135,798	3,111,841
Depreciation (expense)	(2,287,260)	(521,681)	0	(2,808,941)
Carrying amount at 30 June 2019	36,728,244	14,931,353	135,798	51,795,395
Comprises:				
Gross carrying amount at 30 June 2019	46,712,683	21,716,239	135,798	68,564,720
Accumulated depreciation at 30 June 2019	(9,984,439)	(6,784,886)	0	(16,769,325)
Carrying amount at 30 June 2019	36,728,244	14,931,353	135,798	51,795,395
Additions	966,833	340,633	110,548	1,418,014
Revaluation increments / (decrements) transferred to revaluation surplus	0	(11,225)	0	(11,225)
Depreciation (expense)	(1,426,316)	(499,351)	0	(1,925,667)
Transfers	46,953	87,900	(135,798)	(945)
Carrying amount at 30 June 2020	36,315,714	14,849,310	110,548	51,275,572
Comprises:				
Gross carrying amount at 30 June 2020	47,726,467	22,130,437	110,548	69,967,452
Accumulated depreciation at 30 June 2020	(11,410,753)	(7,281,127)	0	(18,691,880)
Carrying amount at 30 June 2020	36,315,714	14,849,310	110,548	51,275,572

SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

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

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

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

11. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

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

Revaluation

The fair value of fixed assets is determined at least once every three to five years in accordance with the regulatory framework, or when Council is of the opinion that the fair value of an asset is materially different from its carrying amount. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads

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

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

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

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

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

SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2020

11. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and equipment	\$ 171,930	\$ 137,283	\$ 6,182	\$ (40,829)	\$ 211,859	\$ 80,500	\$ 0	\$ (131,359)	\$ 136,732	\$ 108,046	\$ 10,716	\$ (39,402)
	171,930	137,283	6,182	(40,829)	211,859	80,500	0	(131,359)	136,732	108,046	10,716	(39,402)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
Fuso Canter	25,000	19,100	0	(5,900)
Mitsubishi Fuso	32,190	21,820	0	(10,370)
Ford Ranger Crew Cab	6,545	8,182	1,637	0
Totoyta Hiace Bus	20,195	4,545	0	(15,650)
Toyota Hilux Dual Cab	15,000	14,091	0	(909)
Toyota Hilux Dual Cab	15,000	17,045	2,045	0
Toyota Hilux Dual Cab	15,000	16,818	1,818	0
Toyota Hilux Dual Cab	15,000	15,682	682	0
Holden Colorado	28,000	20,000	0	(8,000)
	171,930	137,283	6,182	(40,829)
	171,930	137,283	6,182	(40,829)

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. FIXED ASSETS

(b) Depreciation

	2020	2019	
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	90,078	89,322	101,913
Buildings - specialised	965,878	572,339	1,005,620
Furniture and equipment	255,530	260,478	291,216
Plant and equipment	370,690	392,711	594,536
Infrastructure - roads	1,426,316	1,097,405	2,287,260
Infrastructure - other	499,351	493,192	521,681
Right of use assets - Leases	136,427	0	0
	3,744,270	2,905,447	4,802,226

Revision of useful lives of plant and equipment

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation on revaluation

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

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

Amortisation

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

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

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

**SHIRE OF EXMOUTH
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12. LEASES

(a) Right of Use Assets

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

	Right of use assets - Leases	Right of use assets Total
	\$	
Carrying amount at 30 June 2019	0	0
Recognised on initial application of AASB 16	360,778	360,778
Restated total equity at the beginning of the financial year	360,778	360,778
Additions	61,423	61,423
Depreciation (expense)	(136,427)	(136,427)
Carrying amount at 30 June 2020	285,774	285,774
(b) Cash outflow from leases		
Interest expense on lease liabilities	(9,750)	(9,750)
Total cash outflow from leases	(9,750)	(9,750)

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Right of use assets are subsequently measured under the revaluation model as they relate to asset classes that are also revalued.

Leases (continued)

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

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

Leases for right of use assets are secured over the asset being leased.

SHIRE OF EXMOUTH
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13. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	3,170,303	0	0	0	3,170,303	3,170,303	0	0	0	3,170,303
Revaluation surplus - Buildings - non-specialised	(51,616)	0	0	0	(51,616)	(51,616)	0	0	0	(51,616)
Revaluation surplus - Buildings - specialised	21,508,659	462,000	0	462,000	21,970,659	21,508,659	0	0	0	21,508,659
Revaluation surplus - Furniture and equipment	1,207,740	0	(216,924)	(216,924)	990,816	1,207,740	0	0	0	1,207,740
Revaluation surplus - Plant and equipment	1,094,483	0	(19,622)	(19,622)	1,074,861	1,094,483	0	0	0	1,094,483
Revaluation surplus - Infrastructure - roads	21,309,940	0	0	0	21,309,940	21,309,940	0	0	0	21,309,940
Revaluation surplus - Infrastructure - other	6,475,340	0	(11,225)	(11,225)	6,464,115	6,475,340	0	0	0	6,475,340
	54,714,849	462,000	(247,771)	214,229	54,929,078	54,714,849	0	0	0	54,714,849

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

**SHIRE OF EXMOUTH
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FOR THE YEAR ENDED 30 JUNE 2020**

14. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
ATO liabilities
Bonds and deposits held
Accrued Expenses
Accrued Interest on Debentures

	2020	2019
	\$	\$
Sundry creditors	307,124	319,308
Prepaid rates	45,347	36,334
Accrued salaries and wages	170,120	132,510
ATO liabilities	751	0
Bonds and deposits held	207,464	56,121
Accrued Expenses	1,098,705	450,964
Accrued Interest on Debentures	9,225	10,335
	1,838,736	1,005,572

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

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

15. CONTRACT LIABILITIES

Current

Contract liabilities from contracts with customers

2020	2019
\$	\$
217,000	0
217,000	0

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

SHIRE OF EXMOUTH
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16. LEASE LIABILITIES

(a) Lease Liabilities

	2020	2019
	\$	\$
Current	148,937	0
Non-current	140,867	0
	<u>289,804</u>	<u>0</u>

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019
					Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Lease Principal 1 July 2019	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Lease Principal 1 July 2018	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
Housing					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rental 25/30 Dugong Close		Ray White		24 mths	0	61,423	17,689	43,734	561	0	0	0	0	0	0	0	0
Transport																	
Airport X-Ray Scanner		Maia Leasing		72 months	328,613	0	106,292	222,321	8,319	0	0	0	0	0	0	0	0
RAAF Airport Lease		DOD		30 years	32,165	0	8,416	23,749	869	0	0	0	0	0	0	0	0
					<u>360,778</u>	<u>61,423</u>	<u>132,397</u>	<u>289,804</u>	<u>9,749</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**SHIRE OF EXMOUTH
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17. INFORMATION ON BORROWINGS

(a) Borrowings	2020	2019
	\$	\$
Current	231,702	223,637
Non-current	1,543,621	1,775,323
	<u>1,775,323</u>	<u>1,998,960</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2020				30 June 2020				30 June 2019				
				Actual Principal 1 July 2019	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Budget Principal 1 July 2019	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Actual Principal 1 July 2018	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Housing																
Snapper Loop - Land	77	WATC	5.65%	0	0	0	0	0	0	47,955	47,955	1,585	0			
Snapper Loop - Dwellings	80	WATC	4.73%	614,540	65,557	27,659	548,983	614,540	65,557	27,659	548,983	677,075	62,535	30,558	614,540	
Community amenities																
Rubbish Truck	81	WATC	2.41%	251,868	81,953	5,579	169,915	301,868	81,953	5,579	219,915	331,881	80,013	7,461	251,868	
Recreation and culture																
Ningaloo Centre	82	WATC	3.33%	893,498	55,948	29,292	837,550	893,499	55,948	29,292	837,551	947,628	54,130	31,055	893,498	
Other property and services																
1 Bennet Street - Land	76	WATC	5.04%	239,054	20,179	11,797	218,875	239,054	20,179	11,797	218,875	258,253	19,199	12,719	239,054	
				<u>1,998,960</u>	<u>223,637</u>	<u>74,327</u>	<u>1,775,323</u>	<u>2,048,961</u>	<u>223,637</u>	<u>74,327</u>	<u>1,825,324</u>	<u>2,262,792</u>	<u>263,832</u>	<u>83,378</u>	<u>1,998,960</u>	
				1,998,960	223,637	74,327	1,775,323	2,048,961	223,637	74,327	1,825,324	2,262,792	263,832	83,378	1,998,960	

* WA Treasury Corporation

SHIRE OF EXMOUTH
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FOR THE YEAR ENDED 30 JUNE 2020

17. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2019	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2020
		\$	\$	\$	\$
Rubbish Truck - Loan 81	20/06/2017	410,000	0	(410,000)	0
* WA Treasury Corporation		410,000	0	(410,000)	0

	2020	2019
	\$	\$
(d) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	400,000	400,000
Bank overdraft at balance date	0	0
Credit card limit	24,000	24,000
Credit card balance at balance date	(3,128)	(12,380)
Total amount of credit unused	420,872	411,620
Loan facilities		
Loan facilities - current	231,702	223,637
Loan facilities - non-current	1,543,621	1,775,323
Lease liabilities - current	148,937	0
Lease liabilities - non-current	140,867	0
Total facilities in use at balance date	2,065,127	1,998,960
Unused loan facilities at balance date	0	410,000

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 28.

**SHIRE OF EXMOUTH
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18. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Provision for Gratuity \$	Total \$
Opening balance at 1 July 2019				
Current provisions	496,084	402,627	60,195	958,906
Non-current provisions	0	89,778	0	89,778
	496,084	492,405	60,195	1,048,684
Additional provision	359,809	(67,641)	0	292,168
Amounts used	(443,509)	(8,267)	(16,848)	(468,624)
Balance at 30 June 2020	412,384	416,497	43,347	872,228
Comprises				
Current	412,384	314,446	43,347	770,177
Non-current	0	102,051	0	102,051
	412,384	416,497	43,347	872,228
Amounts are expected to be settled on the following basis:	2020	2019		
Less than 12 months after the reporting date	\$ 617,806	\$ 850,278		
More than 12 months from reporting date	207,289	198,406		
Expected reimbursements from other WA local governments	47,134	0		
	872,228	1,048,684		

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

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

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

19. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Cash and cash equivalents	12,209,277	8,271,568	12,182,541
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(1,426,006)	(2,614,170)	2,913,630
Non-cash flows in Net result:			
Adjustments to fair value of financial assets at fair value through profit and loss	(106,832)	0	0
Depreciation on non-current assets	3,744,270	2,905,447	4,802,226
(Profit)/loss on sale of asset	34,647	131,359	28,686
Changes in assets and liabilities:			
(Increase)/decrease in receivables	543,723	0	(123,403)
(Increase)/decrease in other assets	40,615	0	20,422
(Increase)/decrease in inventories	293,958	0	133,713
Increase/(decrease) in payables	833,164	0	(548,944)
Increase/(decrease) in provisions	(176,456)	0	129,080
Non-operating grants, subsidies and contributions	(952,050)	(722,332)	(4,404,648)
Net cash from operating activities	2,829,033	(299,696)	2,950,762

20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	209,527	238,020
General purpose funding	557,651	407,122
Law, order, public safety	1,220,665	1,245,677
Health	6,320	6,820
Education and welfare	1,612,031	1,655,105
Housing	6,632,265	6,626,274
Community amenities	2,399,009	2,514,103
Recreation and culture	46,461,887	46,137,800
Transport	50,685,341	51,666,510
Economic services	1,925,236	1,932,467
Other property and services	22,270,176	22,100,034
Unallocated	68,673	7,751
	<u>134,048,781</u>	<u>134,537,683</u>

21. CONTINGENT LIABILITIES

The Shire is not aware of any contingent liabilities as at 30 June 2020.

22. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

	2020	2019
	\$	\$
	548,848	135,798
	667,060	268,348
	1,215,908	404,146
Payable:		
- not later than one year	1,215,908	404,146

The capital expenditure projects outstanding at the end of the current reporting period represents improvements at Federation Park, land purchase and boat ramp solar lighting. Plant and equipment purchases include rubbish truck, airport body scanner and water meters.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years

	2020	2019
	\$	\$
	47,640	225,064
	142,920	409,357
	190,560	634,421

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

23. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	85,752	85,752	63,703
President's allowance	29,566	29,565	21,955
Deputy President's allowance	7,391	7,391	5,489
Travelling expenses	4,185	18,900	13,631
Telecommunications allowance	4,281	4,000	3,744
	<u>131,175</u>	<u>145,608</u>	<u>108,522</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	733,277	666,883
Post-employment benefits	100,014	103,861
Other long-term benefits	14,165	10,804
Termination benefits	32,136	0
	<u>879,592</u>	<u>781,548</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

23. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2020 Actual	2019 Actual
	\$	\$
Amounts payable to related parties:		
Trade and other payables	24,516	14,788

Amounts payable to related parties:

Trade and other payables

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

**SHIRE OF EXMOUTH
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24. MAJOR LAND TRANSACTIONS

(a) Details

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

Based on the findings of the study, Council initiated the acquisition of land during 2014/15 for special rural residential sub-division comprising of 11 Lots of varying sizes, with the first sale of this subdivision received in 2015/16. As at 30 June 2020, 6 lots remain unsold. No further development costs are anticipated to be spent on this project, which was funded from municipal funds.

(b) Current year transactions

Other revenue

- Sale proceeds

Other expenditure

- Cost of goods sold

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
- Sale proceeds	454,544	0	227,273
- Cost of goods sold	(321,992)	0	(160,696)
	132,552	0	66,577

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

(c) Expected future cash flows

	2020/21	2021/22	2022/23	2023/24	Total
	\$	\$	\$	\$	\$
Cash outflows					
- Sale proceeds	1,363,640	0	0	0	1,363,640
	1,363,640	0	0	0	1,363,640
Net cash flows	1,363,640	0	0	0	1,363,640

(d) Assets and liabilities

Land held for resale included within Note 7

Current Inventory

Land held for resale - cost

	2020	2019
	\$	\$
Land held for resale - cost	964,175	1,285,567
	964,175	1,285,567

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

25. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating Revenue			
Fees & Charges	3,778,387	4,536,579	5,193,651
Grants, Subsidies & Contributions	0	0	0
Other Revenue	0	0	7,030
Total	3,778,387	4,536,579	5,200,681
Operating Expenditure			
Employee Costs	(1,404,012)	(1,390,992)	(1,450,468)
Materials & Contracts	(803,301)	(1,039,476)	(931,941)
Utilities	(146,611)	(125,000)	(103,433)
Insurance	(56,029)	(58,894)	(56,851)
Other Expenditure	(269,352)	(260,500)	(17,068)
Loss on Asset Disposal	0	0	0
Depreciation	(336,556)	(338,037)	(351,875)
Total	(3,015,861)	(3,212,899)	(2,911,636)
Operating Surplus/Deficit	762,526	1,323,680	2,289,045
Capital Revenue			
Non Operating Grants and Contributions	255,000	0	0
Capital Expenditure			
Land and buildings	(19,234)	(141,000)	(26,854)
Furniture and equipment	0	0	(8,993)
Plant and equipment	(302,626)	0	(14,249)
Infrastructure - roads	0	0	0
Infrastructure - other	(177,385)	(210,000)	0
Transfer to/from reserve	78,020	30,000	(71,159)
Total Net Result	596,301	1,002,680	2,167,790

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

26. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2019/20 Actual Rateable Value \$	2019/20 Actual Rate Revenue \$	2019/20 Actual Interim Rates \$	2019/20 Actual Back Rates \$	2019/20 Actual Total Revenue \$	2019/20 Budget Rate Revenue \$	2019/20 Budget Interim Rate \$	2019/20 Budget Back Rate \$	2019/20 Budget Total Revenue \$	2018/19 Actual Total Revenue \$
Differential general rate / general rate												
Gross rental valuations												
General	0.0751	1,184	29,113,407	2,189,984	(6,847)	(328)	2,182,809	2,183,754	5,000	0	2,188,754	2,144,886
Marina Developed	0.1013	100	3,574,667	355,949	6,924	1,105	363,978	356,161	0	0	356,161	330,605
Holiday Homes	0.1041	62	1,637,480	200,636	2,539	0	203,175	171,084	0	0	171,084	170,453
Vacant Land	0.1501	243	2,552,784	355,597	1,224	(112)	356,709	383,933	0	0	383,933	398,204
Unimproved valuations												
Mining	0.1599	15	353,335	56,498	(444)	0	56,054	53,908	1,000	0	54,908	50,394
Rural	0.08	7	538,380	43,070	0	(2,352)	40,718	45,470	0	0	45,470	42,704
Sub-Total		1,611	37,770,053	3,201,734	3,396	(1,687)	3,203,443	3,194,310	6,000	0	3,200,310	3,137,246
Minimum payment												
Minimum \$												
Gross rental valuations												
General	930	87	849,022	80,910	(2,055)	0	78,855	78,120	0	0	78,120	61,880
Marina Developed	930	1		930	735	0	1,665	930	0	0	930	910
Holiday Homes	930	0	0	0	0	0	0	0	0	0	0	0
Vacant Land	735	142	477,250	104,370	1,320	0	105,690	104,370	0	0	104,370	160,160
Unimproved valuations												
Mining	230	12	9,354	2,760	0	0	2,760	2,760	0	0	2,760	9,000
Rural	735	1	5,800	735	0	0	735	735	0	0	735	700
Sub-Total		243	1,341,426	189,705	0	0	189,705	186,915	0	0	186,915	232,650
		1,854	39,111,479	3,391,439	3,396	(1,687)	3,393,148	3,381,225	6,000	0	3,387,225	3,369,896
Discounts (Note 26(d))							0				0	(6,214)
Total amount raised from general rate							3,393,148				3,387,225	3,363,682
Specified Area Rate (Note 26(b))							48,140				47,081	52,542
Totals							3,441,288				3,434,306	3,416,224

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period.

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

SHIRE OF EXMOUTH
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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26. RATING INFORMATION (Continued)

(b) Specified Area Rate

Specified Area Rate	Basis of Valuation	Rate in \$	2019/20 Rateable Value	2019/20 Rate Revenue	2019/20 Interim Rate Revenue	2019/20 Back Rate Revenue	2019/20 Total Specified Area Rate Revenue	2019/20 Budget Rate Revenue	2019/20 Budget Back Rate Revenue	2019/20 Budget Interim Rate Revenue	2019/20 Total Budget Revenue	2018/19 Total Actual Revenue
Marina Specified Area Rate		0.013	\$ 327,600	\$ 47,359	\$ 781	\$ 0	\$ 48,140	\$ 47,081	\$ 0	\$ 0	\$ 47,081	\$ 52,542
			327,600	47,359	781	0	48,140	47,081	0	0	47,081	52,542

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2019/20 Actual Rate Applied to Costs	2019/20 Actual Rate Set Aside to Reserve	2019/20 Actual Reserve Applied to Costs	2019/20 Budget Rate Applied to Costs	2019/20 Budget Rate Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs
Marina Specified Area Rate	The proceeds of the rate on applied in full on the environmental monitoring and maintenance of the canal waterway, dredging and entereance channel navigation including both onshore and offshore, cost of clearing the sandtraps, maintaining the main breakwaters including all breakwaters and groynes surrounding and protecting the Outer Harbour and other presevation works in accordance with the Exmouth Marina Village agreement between Minister for Transport, Landcorp & Shire of Exmouth	Properties zoned Marina and Marina Canals	\$ 0	\$ 48,140	\$ 0	\$ 0	\$ 47,081	\$ 0
			0	48,140	0	0	47,081	0

The Shire did not raise service charges for the year ended 30th June 2020

**SHIRE OF EXMOUTH
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26. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$
UV Rural (pastoral) properties	Rates	0.00%	0	0	0	6,214
				0	0	6,214
Total discounts/concessions (Note 26(a))				0	0	6,214

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
UV Rural (pastoral) properties		To minimise any significant increase after removal of prior years concession	In 2016/17 Council combined eleven differential ratecodes to six.

26. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	3/09/2019	0.00	0.00%	11.00%
Option Two				
First instalment	3/09/2019	0.00	0.00%	11.00%
Second instalment	15/11/2019	14.50	5.50%	11.00%
Option Three				
First instalment	3/09/2019	0.00	0.00%	11.00%
Second instalment	15/11/2019	14.50	5.50%	11.00%
Third instalment	21/01/2020	14.50	5.50%	11.00%
Fourth instalment	31/03/2020	14.50	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	46,978	40,000	47,480
Interest on instalment plan	16,484	17,000	17,081
Charges on instalment plan	15,841	19,000	15,950
Interest on deferred rates	772	1,000	0
	80,075	77,000	80,512

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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27. RATE SETTING STATEMENT INFORMATION

		2019/20 Budget	2019/20	2018/19
	2019/20 (30 June 2020 Carried Forward)	(30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 Carried Forward)
Note	\$	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	11(a)	(6,181)	0	(10,717)
Less: Fair value adjustments to financial assets at fair value through profit and loss		(106,832)	0	0
Movement in pensioner deferred rates (non-current)		(4,865)	0	(1,963)
Movement in employee benefit provisions (non-current)		(176,456)	0	143,325
Movement in other provisions (non-current)		0	0	(14,245)
Movement of inventory (non-current)		321,392	160,101	160,696
Add: Loss on disposal of assets	11(a)	40,828	131,359	39,403
Add: Depreciation on non-current assets	11(b)	3,744,270	2,905,447	4,802,226
Non cash amounts excluded from operating activities		3,812,156	3,196,907	5,118,725
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - cash backed	4	(9,009,299)	(8,609,905)	(9,352,157)
Less: Community Loans		(22,700)	(23,000)	(23,000)
Less: Unspent Borrowings		0	(410,000)	0
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	17(a)	231,702	231,702	223,637
- Current portion of contract liability held in reserve		217,000		
- Current portion of lease liabilities		148,937	0	0
- Employee benefit provisions		770,177	958,906	958,906
Total adjustments to net current assets		(7,664,183)	(7,852,297)	(8,192,614)
Net current assets used in the Rate Setting Statement				
Total current assets		13,562,015	9,965,036	14,097,348
Less: Total current liabilities		(3,206,552)	(2,064,592)	(2,188,115)
Less: Total adjustments to net current assets		(7,664,183)	(7,852,297)	(8,192,614)
Net current assets used in the Rate Setting Statement		2,691,280	48,147	3,716,619

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

28. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	0.96%	12,209,277	12,209,277	0	0
2019					
Cash and cash equivalents	1.43%	12,182,541	12,182,541	0	0

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	122,093	121,825

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 17(b).

SHIRE OF EXMOUTH
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28. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies.

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

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle receivables. Housing prices and unemployment rates have been identified as the most relevant factors in repayment of rates and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	351,292	102,834	41,641	15,038	510,805
Loss allowance	0	0	0	0	0
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	229,954	76,050	27,500	31,637	365,141
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.58%	1.23%	1.54%	6.82%	
Gross carrying amount	610,541	41,571	457	82,510	735,079
Loss allowance	3,517	510	7	5,626	9,660
30 June 2019					
Trade and other receivables					
Expected credit loss	0.10%	0.13%	0.33%	0.83%	
Gross carrying amount	1,103,434	131,420	80,862	114,504	1,430,220
Loss allowance	1,104	164	270	954	2,492

28. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk - that is the risk that sufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required as disclosed in Note 15 (d).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2020					
Payables	1,838,736	0	0	1,838,736	1,838,736
Borrowings	231,702	925,792	617,829	1,775,323	1,775,323
Contract liabilities	217,000	0	0	217,000	217,000
Lease liabilities	148,937	140,867	0	289,804	289,804
	<u>2,436,375</u>	<u>1,066,659</u>	<u>617,829</u>	<u>4,120,863</u>	<u>4,120,863</u>
2019					
Payables	1,005,572	0	0	1,005,572	1,005,572
Borrowings	223,637	975,060	800,263	1,998,960	1,998,960
	<u>1,229,209</u>	<u>975,060</u>	<u>800,263</u>	<u>3,004,532</u>	<u>3,004,532</u>

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29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers	15	0	217,000	217,000
Adjustment to retained surplus from adoption of AASB 15	29(c)		217,000	

(b) AASB 1058: Income For Not-For-Profit Entities

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

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

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

The table below provides details of the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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29. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(b) AASB 1058: Income For Not-For-Profit Entities (Continued)

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$
	Note	As reported under AASB 15 and AASB 1058		Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	26(a)	3,441,288	45,347	3,486,635
Operating grants, subsidies and contributions	2(a)	2,134,785	217,000	2,351,785
Fees and charges	2(a)	6,102,116	0	6,102,116
Non-operating grants, subsidies and contributions	2(a)	952,050	0	952,050
Net result		(1,426,006)	262,347	(1,163,659)
Statement of Financial Position				
Trade and other payables	14	1,838,736	(45,347)	1,793,389
Contract liabilities	15	217,000	(217,000)	0
Net assets		129,055,690	262,347	129,318,037
Statement of Changes in Equity				
Net result		(1,426,006)	262,347	(1,163,659)
Retained surplus		65,117,313	262,347	65,379,660

Refer to Note 2(a) for new revenue recognition accounting policies as a result of the application of AASB 15 and AASB 1058.

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

(c) Impact of New Accounting Standards on Retained Surplus

The impact on the Shire's retained surplus due to the adoption of AASB 15, AASB 1058 and AASB 16 as at 1 July 2019 was as follows:

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			66,417,461
Adjustment to retained surplus from adoption of AASB 15	29(a)	217,000	
Adjustment to retained surplus from adoption of AASB 1058	29(b)	0	217,000
Retained surplus - 1 July 2019			66,634,461

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

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

	1 July 2019	Amounts Received	Amounts Paid	30 June 2020
	\$	\$	\$	\$
BCITF	1,598	15,669	(10,428)	6,839
BSL Levy	2,401	19,661	(20,651)	1,411
Cash in Lieu POS	378,888	3,586	(170,000)	212,474
Bond Deed Exmouth Marina Holdings	18,186	0	0	18,186
Exmouth Volunteer Fire & Rescue	50,828	0	0	50,828
	451,901	38,916	(201,079)	289,738

SHIRE OF EXMOUTH

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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31. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

**SHIRE OF EXMOUTH
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

32. ACTIVITIES/PROGRAMS

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

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

33. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.89	2.50	1.92
Asset consumption ratio	0.70	0.71	0.71
Asset renewal funding ratio	0.77	0.30	0.77
Asset sustainability ratio	0.43	0.77	0.19
Debt service cover ratio	5.01	9.78	9.78
Operating surplus ratio	(0.24)	(0.13)	(0.24)
Own source revenue coverage ratio	0.67	0.75	0.69

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Exmouth

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Exmouth which comprises the Statement of Financial Position as at 30 June 2020, and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 11 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 of the Local Government (Financial Management) Regulations 1996 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Asset Sustainability Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) basic standard for the last three financial years;
 - b. The Operating Surplus Ratio as reported in Note 33 of the annual financial report is below the DLGSCI's basic standard for the last three financial years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Exmouth for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
// December 2020