



11 NOVEMBER 2024

Shire of Esperance

NOTICE OF MEETING AND AGENDA

An Audit Committee meeting of the Shire of Esperance will be held at Council Chambers on 12 November 2024 commencing at 2:00pm to consider the matters set out in the attached agenda.

S Burge

Chief Executive Officer

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Esperance for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Esperance disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Esperance during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Esperance. The Shire of Esperance warns that anyone who has any application lodged with the Shire of Esperance must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Esperance in respect of the application.

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

TABLE OF CONTENTS

1.	OFFICIAL OPENING	5
2.	ATTENDANCE	5
3.	APOLOGIES & NOTIFICATION OF GRANTED LEAVE OF ABSENCE	5
4.	DEPUTATIONS, PRESENTATIONS, INSPECTIONS, PETITIONS	5
5.	DECLARATION OF MEMBERS INTERESTS	5
5.1	Declarations of Financial Interests – Local Government Act Section 5.60a	5
5.2	Declarations of Proximity Interests – Local Government Act Section 5.60b	5
5.3	Declarations of Impartiality Interests – Admin Regulations Section 34c	5
6.	CONFIRMATION OF MINUTES	6
7.	NEW BUSINESS OF AN URGENT NATURE	6
8.	MATTERS REQUIRING A DETERMINATION OF COMMITTEE	7
8.1	Audit Report 2023-24	7
9.	ELECTED MEMBERS	65
10.	SHIRE OFFICERS	65
11.	CLOSURE	65

SHIRE OF ESPERANCE

AGENDA

**AUDIT COMMITTEE MEETING
TO BE HELD IN COUNCIL CHAMBERS ON 12 NOVEMBER 2024
COMMENCING AT 2:00PM**

1. OFFICIAL OPENING

2. ATTENDANCE

Members

Cr S McMullen	Shire of Esperance (Presiding Member)
Cr S Flanagan	Shire of Esperance
Pres R Chambers	Shire of Esperance
Cr G Johnston	Shire of Esperance

Shire Officers

Mr S Burge	Chief Executive Officer
Ms R Hamilton	Manager Financial Services
Mrs F Baxter	Director Corporate & Community Services

Guests

Jay Teichert	Office of the Auditor General (via TEAMS)
Wen-Shien Chai	Moore Australia (via TEAMS)
Hayley Platt	Moore Australia (via TEAMS)

Members of the Public & Press

3. APOLOGIES & NOTIFICATION OF GRANTED LEAVE OF ABSENCE

Mr K Mills	Community Representative
------------	--------------------------

4. DEPUTATIONS, PRESENTATIONS, INSPECTIONS, PETITIONS

5. DECLARATION OF MEMBERS INTERESTS

- 5.1 Declarations of Financial Interests – Local Government Act Section 5.60a**
- 5.2 Declarations of Proximity Interests – Local Government Act Section 5.60b**
- 5.3 Declarations of Impartiality Interests – Admin Regulations Section 34c**

6. CONFIRMATION OF MINUTES

That the Minutes of the Audit Committee Meeting of the 7 August 2024 be confirmed as a true and correct record.

7. NEW BUSINESS OF AN URGENT NATURE

Nil

8. MATTERS REQUIRING A DETERMINATION OF COMMITTEE

Item: 8.1

Audit Report 2023-24

Author/s	Roselyn Hamilton	Manager Financial Services
Authorisor/s	Felicity Baxter	Director Corporate and Community Services

File Ref: D24/31157

Applicant

Corporate and Community Services

Location/Address

Internal

Executive Summary

To present to the Audit Committee the 2023-24 Annual Financial Report and Audit Report prepared by Carly Meagher from the Office of Auditor General (OAG).

Recommendation in Brief

That the Audit Committee

1. Receive the 2023-24 Annual Financial Report including the Audit Report as attached as Attachment A.
2. Recommends the Annual Financial Report and Audit Report for the 2023-24 financial year to Council for adoption.
3. Recommends the changes to the 2024-25 budget as a result of movements in actuals to Council for adoption.

Background

Council is required to prepare a financial report and present it to the Council's auditor by 30 September each year. This has been completed and Annual Financial Report and Audit Report are presented at Attachment A.

The Local Government Act (1995) requires that the audit report be examined by the local government to determine if any matters raised in the report require action to be taken. After considering the audit report the local government is to prepare a report on any actions to be taken in response to the audit report and is to forward a copy of that report to the Minister for Local Government.

Officer's Comment

The Council has received an unqualified or "clean" audit report from the Office of the Auditor General. The auditor's opinion states that

"In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2024 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards."

It is a legislative requirement for a separate report to be presented to the Audit Committee and Council when significant matters are raised in the Audit Report. See below section of the Act.

Section 7.12A (4) of the *Local Government Act (1995)* states:

A local government must –

- a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

There were no significant matters raised in the Audit Report therefore a separate report to the Minister will not be required.

Two observations were noted in the Audit Concluding Report (Attachment B)

1. Improvements in Work in Progress (WIP) Reporting

During our audit, it was observed that all WIP, irrespective of whether related it pertains to property, plant and equipment or infrastructure, has been recorded within infrastructure WIP account and presented as such in the financial report. While the impact of the classification was not material for the audit, it is recommended that the Shire revisits the process of categorising and reporting of WIP going forward. Ensuring that WIP pertaining to property, plant and equipment and infrastructure are appropriately segregated will improve the accuracy and clarity of the Shire's financial report.

Finance is looking at refreshing the asset system during 2024-25 and this matter is being considered as part of the project.

2. Review of Wylie Bay Rehabilitation Provision

The current methodology for deriving the Shire's Wylie Bay waste facility rehabilitation provision has not been updated since 2018. Given the long-term nature and potential financial impact of these obligations, we recommend that management undertakes a comprehensive exercise to ensure that the provision accurately reflects the most current cost estimates. This will be a key focus in our audit for the upcoming financial year.

Asset Management have informed Finance that they are undertaking a review of the rehabilitation of Wylie Bay in 2024-25 which should provide an accurate update to the expected costs.

Changes to budget post Audit

The 2023-24 surplus closing position has changed from when the budget was adopted in August from \$3,221,226 to \$4,219,909 for the following reason.

Recognition of Contract Asset in 2023-24 (AASB15)

During the finalisation of the annual financials, the treatment of a budgeted carryover in the roads program was reassessed as a contract asset for recognition in 2023-24.

The majority of expenditure for the road project was incurred in 2023-24 but as a condition of the associated grant the Shire had not yet received the related grant funds as the project had not yet finalised. On assessment of the related contract, it became clear that the Shire had a right to recognise the grant income related to the project in the 2023-24 Statements. The value of the contract expenditure completed in 2023-24 was \$998,683 and a correction to recognise the equivalent grant income could then offset the related cost.

The result of this movement was an increase to surplus in 2023-24 of \$998,683 and reduction to budgeted income in 2024-25. The movement is purely related to the timing of recognition of the income and does not affect the net cash inflow that is expected in 2024-25. Given that the movement is an accounting movement only, it has a net zero impact on the final budgeted deficit of \$44,458.

A breakdown of the proposed amended budget (including previous council approved movements) is below.

	Council Ref	Original	Amended
2023/24 Closing Surplus		\$3,221,226	\$4,219,909
Original Budgeted Movement		(\$3,265,684)	(\$3,265,684)
Esperance Indoor Stadium	S0824-125		(\$1,280,000)
Insurance Claim (EIS)	S0824-125		\$1,393,000
Building Maintenance Reserve	S0824-125		(\$113,000)
Capital Grants, subsidies & contributions	TBD		(\$998,683)
Budgeted 2024/25 Surplus/(Deficit)		(\$44,458)	(\$44,458)

Consultation

Moore Australia
Office of the Auditor General (OAG).

Financial Implications

Impact to closing surplus for 2023-24 as above with an overall net zero effect on the budgeted closing surplus for 2024-25.

Asset Management Implications

Nil

Statutory Implications

The statutory implications associated with this item are *Local Government Act (1995)* Section 7.12A which details duties with respect to audits.

Policy Implications

Nil

Strategic Implications

Council Plan 2022 – 2032
Leadership

A financially sustainable and supportive organisation achieving operational excellence

Environmental Considerations

Nil

Attachments

- A. 2023-24 Annual Financial Report
- B. Auditor's Opinion - 30 June 2024
- C. Audit Concluding Report - 30 June 2024

Officer's Recommendation

That the Audit Committee;

- 1. Receive the 2023-24 Annual Financial Report incorporating the Audit Report as attached at Attachment A.**
- 2. Recommends the Annual Financial Report and Audit Report for the 2023-24 financial year to Council for adoption.**
- 3. Recommends the changes to the 2024-25 budget as a result of movements in actuals to Council for adoption.**

Voting Requirement

Simple Majority

**SHIRE OF ESPERANCE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

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

STATEMENT BY CEO

The accompanying financial report of the Shire of Esperance has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

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

Signed on the 30th day of October 2024



Chief Executive Officer
Shane Burge

**SHIRE OF ESPERANCE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
Revenue				
Rates	2(a),24	25,432,406	25,336,630	23,635,371
Grants, subsidies and contributions	2(a)	13,304,012	7,829,652	16,162,013
Fees and charges	2(a)	11,203,001	10,129,753	10,952,081
Interest revenue	2(a)	2,583,229	1,355,000	1,526,936
Other revenue	2(a)	982,800	757,894	1,003,835
		53,505,448	45,408,929	53,280,236
Expenses				
Employee costs	2(b)	(21,378,606)	(21,411,309)	(21,083,657)
Materials and contracts		(12,980,360)	(16,068,990)	(12,556,334)
Utility charges		(1,368,941)	(1,293,221)	(1,323,897)
Depreciation		(22,658,326)	(25,435,663)	(21,492,577)
Finance costs		(84,036)	(87,700)	(98,521)
Insurance		(887,856)	(949,260)	(885,765)
Other expenditure	2(b)	(1,326,971)	(1,028,890)	(597,449)
		(60,685,096)	(66,275,033)	(58,038,200)
		(7,179,648)	(20,866,104)	(4,757,964)
Capital grants, subsidies and contributions	2(a)	15,394,282	24,857,455	8,245,196
Profit on asset disposals		503,134	672,538	1,572,415
Loss on asset disposals		(24,539)	(130,124)	(56,443)
		15,872,877	25,399,869	9,761,168
Net result for the period	23(b)	8,693,229	4,533,765	5,003,204
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	-	-	168,416,513
Total other comprehensive income for the period	17	-	-	168,416,513
Total comprehensive income for the period		8,693,229	4,533,765	173,419,717

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



**SHIRE OF ESPERANCE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

	NOTE	2024 \$	2023 \$
CURRENT ASSETS			
Cash and cash equivalents	3	48,988,393	43,247,389
Trade and other receivables	5	1,410,449	1,597,931
Other financial assets	4(a)	404,455	4,190,736
Inventories	6	1,346,117	1,609,486
Other assets	7	1,146,601	1,418,138
TOTAL CURRENT ASSETS		53,296,015	52,063,680
NON-CURRENT ASSETS			
Trade and other receivables	5	110,073	101,408
Other financial assets	4(b)	1,136,293	1,537,806
Inventories	6	3,305,969	2,830,744
Property, plant and equipment	8	103,613,524	103,709,727
Infrastructure	9	595,401,067	587,939,655
Right-of-use assets	11(a)	88,110	8,663
TOTAL NON-CURRENT ASSETS		703,655,036	696,128,003
TOTAL ASSETS		756,951,051	748,191,683
CURRENT LIABILITIES			
Trade and other payables	12	3,154,396	2,470,313
Other liabilities	13	2,612,488	3,378,442
Lease liabilities	11(b)	10,186	8,784
Borrowings	14	461,774	245,549
Employee related provisions	15	3,784,029	3,733,245
TOTAL CURRENT LIABILITIES		10,022,873	9,836,333
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	78,934	-
Borrowings	14	1,554,401	2,016,175
Employee related provisions	15	411,208	388,124
Other provisions	16	6,223,226	5,983,871
TOTAL NON-CURRENT LIABILITIES		8,267,769	8,388,170
TOTAL LIABILITIES		18,290,642	18,224,503
NET ASSETS		738,660,409	729,967,180
EQUITY			
Retained surplus		321,739,928	314,079,314
Reserve accounts	27	40,139,885	39,107,270
Revaluation surplus	17	376,780,596	376,780,596
TOTAL EQUITY		738,660,409	729,967,180

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



**SHIRE OF ESPERANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2023 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		25,126,236	23,681,265
Grants, subsidies and contributions		12,483,178	16,880,065
Fees and charges		11,528,401	10,952,081
Interest revenue		2,583,229	1,526,936
Goods and services tax received		3,683,641	3,253,580
Other revenue		1,222,155	1,294,333
		<u>56,626,840</u>	<u>57,588,260</u>
Payments			
Employee costs		(21,276,132)	(20,174,309)
Materials and contracts		(11,910,443)	(13,931,688)
Utility charges		(1,368,941)	(1,323,897)
Finance costs		(84,036)	(98,521)
Insurance paid		(887,856)	(885,765)
Goods and services tax paid		(3,932,226)	(3,121,801)
Other expenditure		(998,806)	(597,449)
		<u>(40,458,440)</u>	<u>(40,133,430)</u>
Net cash provided by operating activities	18(b)	<u>16,168,400</u>	<u>17,454,830</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for land held for sale		(475,225)	(2,347,249)
Payments for purchase of property, plant & equipment	8(a)	(4,351,193)	(5,131,617)
Payments for construction of infrastructure	9(a)	(26,254,987)	(17,580,979)
Capital grants, subsidies and contributions		15,394,282	8,245,196
Proceeds for financial assets at amortised cost		4,000,000	(4,000,000)
Proceeds from financial assets at amortised cost - self supporting loans		190,736	198,228
Proceeds for land held for sale		341,479	-
Proceeds from financial assets at fair values through profit and loss		(2,942)	(6,451)
Proceeds from sale of property, plant & equipment		994,974	4,831,582
Net cash (used in) investing activities		<u>(10,162,876)</u>	<u>(15,791,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	26(a)	(245,549)	(250,645)
Payments for principal portion of lease liabilities	26(b)	(18,971)	(23,105)
Net cash (used in) financing activities		<u>(264,520)</u>	<u>(273,750)</u>
Net increase in cash held		<u>5,741,004</u>	<u>1,389,790</u>
Cash at beginning of year		<u>43,247,389</u>	<u>41,857,599</u>
Cash and cash equivalents at the end of the year	18(a)	<u><u>48,988,393</u></u>	<u><u>43,247,389</u></u>

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



**SHIRE OF ESPERANCE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2022		314,224,048	33,959,332	208,364,083	556,547,463
Comprehensive income for the period					
Net result for the period		5,003,204	-	-	5,003,204
Other comprehensive income for the period	17	-	-	168,416,513	168,416,513
Total comprehensive income for the period		5,003,204	-	168,416,513	173,419,717
Transfers from reserve accounts	27	11,246,503	(11,246,503)	-	-
Transfers to reserve accounts	27	(16,394,441)	16,394,441	-	-
Balance as at 30 June 2023		314,079,314	39,107,270	376,780,596	729,967,180
Comprehensive income for the period					
Net result for the period		8,693,229	-	-	8,693,229
Total comprehensive income for the period		8,693,229	-	-	8,693,229
Transfers from reserve accounts	27	12,145,169	(12,145,169)	-	-
Transfers to reserve accounts	27	(13,177,784)	13,177,784	-	-
Balance as at 30 June 2024		321,739,928	40,139,885	376,780,596	738,660,409

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



SHIRE OF ESPERANCE
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2024

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	24	24,891,959	25,236,630	23,104,274
Rates excluding general rates	24	540,447	-	531,097
Grants, subsidies and contributions		13,304,012	7,829,652	16,162,013
Fees and charges		11,203,001	10,129,753	10,952,081
Interest revenue		2,583,229	1,355,000	1,526,936
Other revenue		982,800	757,894	1,003,835
Profit on asset disposals		503,134	672,538	1,572,415
		<u>54,008,582</u>	<u>45,981,467</u>	<u>54,852,651</u>
Expenditure from operating activities				
Employee costs		(21,378,606)	(21,411,309)	(21,083,657)
Materials and contracts		(12,980,360)	(16,068,990)	(12,556,334)
Utility charges		(1,368,941)	(1,293,221)	(1,323,897)
Depreciation		(22,658,326)	(25,435,663)	(21,492,577)
Finance costs		(84,036)	(87,700)	(98,521)
Insurance		(887,856)	(949,260)	(885,765)
Other expenditure		(1,326,971)	(1,028,890)	(597,449)
Loss on asset disposals		(24,539)	(130,124)	(56,443)
		<u>(60,709,635)</u>	<u>(66,405,157)</u>	<u>(58,094,643)</u>
Non cash amounts excluded from operating activities	25(a)	22,378,654	23,714,733	20,611,031
Amount attributable to operating activities		<u>15,677,601</u>	<u>3,291,043</u>	<u>17,369,039</u>
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		15,394,282	24,857,455	8,245,196
Proceeds from disposal of assets		1,336,453	1,923,262	4,831,582
Proceeds from financial assets at amortised cost - self supporting loans	26(a)	190,736	190,736	198,228
Proceeds from financial assets at fair value through profit and loss - Local Government House Trust		(2,942)	-	(6,451)
Proceeds on other loans		-	2,500,000	-
		<u>16,918,529</u>	<u>29,471,453</u>	<u>13,268,555</u>
Outflows from investing activities				
Right of use assets received - non cash	11(a)	(99,307)	-	-
Purchase of property, plant and equipment	8(a)	(4,351,193)	(19,860,476)	(5,131,617)
Purchase and construction of infrastructure	9(a)	(26,254,987)	(27,284,249)	(17,580,979)
Payments for land held for sale		(548,167)	(5,993,079)	(2,347,249)
		<u>(31,253,654)</u>	<u>(53,137,804)</u>	<u>(25,059,845)</u>
Non-cash amounts excluded from investing activities	25(b)	99,307	1,500,000	-
Amount attributable to investing activities		<u>(14,235,818)</u>	<u>(22,166,351)</u>	<u>(11,791,290)</u>
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from new leases - non cash	26(b)	99,307	-	-
Transfers from reserve accounts	27	12,145,169	18,398,119	11,246,503
		<u>12,244,476</u>	<u>18,398,119</u>	<u>11,246,503</u>
Outflows from financing activities				
Repayment of borrowings	26(a)	(245,549)	(245,549)	(250,645)
Payments for principal portion of lease liabilities	26(b)	(18,971)	(8,784)	(23,105)
Transfers to reserve accounts	27	(13,177,784)	(3,365,739)	(16,394,441)
		<u>(13,442,304)</u>	<u>(3,620,072)</u>	<u>(16,668,191)</u>
Non-cash amounts excluded from financing activities	25(c)	(99,307)	-	-
Amount attributable to financing activities		<u>(1,297,135)</u>	<u>14,778,047</u>	<u>(5,421,688)</u>
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	25(d)	4,075,261	4,075,261	3,919,200
Amount attributable to operating activities		15,677,601	3,291,043	17,369,039
Amount attributable to investing activities		(14,235,818)	(22,166,351)	(11,791,290)
Amount attributable to financing activities		(1,297,135)	14,778,047	(5,421,688)
Surplus or deficit after imposition of general rates	25(d)	<u>4,219,909</u>	<u>(22,000)</u>	<u>4,075,261</u>

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



**SHIRE OF ESPERANCE
FOR THE YEAR ENDED 30 JUNE 2024
INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	7
Note 2	Revenue and Expenses	8
Note 3	Cash and Cash Equivalents	10
Note 4	Other Financial Assets	10
Note 5	Trade and Other Receivables	11
Note 6	Inventories	12
Note 7	Other Assets	13
Note 8	Property, Plant & Equipment	14
Note 9	Infrastructure	16
Note 10	Fixed Assets	18
Note 11	Leases	20
Note 12	Trade and Other Payables	22
Note 13	Other Liabilities	23
Note 14	Borrowings	24
Note 15	Employee Related Provisions	25
Note 16	Other Provisions	26
Note 17	Revaluation Surplus	27
Note 18	Notes to the Statement of Cash Flows	28
Note 19	Related Party Transactions	29
Note 20	Financial Risk Management	31
Note 21	Events Occurring After the End of the Reporting Period	35
Note 22	Other Material Accounting Policies	36
Note 23	Function and Activity	37
Note 24	Rating Information	39
Note 25	Determination of Surplus or Deficit	40
Note 26	Borrowing and Lease Liabilities	41
Note 27	Reserve accounts	43
Note 28	Trust Funds	45

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

1. BASIS OF PREPARATION

The financial report of the Shire of Esperance which is a Class 2 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

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

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

The Local Government (Financial Management) Regulations 1996 provide that:

- land and buildings classified as property, plant and equipment; or
- infrastructure; or
- vested improvements that the local government controls; and measured at reportable value, are only required to be revalued every five years. Revaluing these non-financial assets every five years is a departure from AASB 116 Property, Plant and Equipment, which would have required the Shire to assess at each reporting date whether the carrying amount of the above mentioned non-financial assets materially differs from their fair value and, if so, revalue the class of non-financial assets.

Critical accounting estimates and judgements

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 amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and further information on their nature and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - note 8
 - Infrastructure - note 9
- Expected credit losses on financial assets - note 5
- Impairment losses of non-financial assets - note 8
- Measurement of employee benefits - note 15
- Measurement of provisions - note 16

Fair value hierarchy information can be found in note 22

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 of the financial report.

Initial application of accounting standards

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

- *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

This standard resulted in terminology changes relating to material accounting policies (formerly referred to as significant accounting policies).

New accounting standards for application in future years

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

- *AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- *AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
- *AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
- *AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*

These amendments are not expected to have any material impact on the financial report on initial application.

- *AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

These amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

- *AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements*

These amendments may result in additional disclosures in the case of applicable finance arrangements.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Grants, subsidies and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	On landing/departure event
Fees and charges - sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	At point of sale
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

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

Revenue Recognition

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

For the year ended 30 June 2024

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	25,432,406	-	25,432,406
Grants, subsidies and contributions	13,304,012	-	-	-	13,304,012
Fees and charges	10,687,686	-	515,315	-	11,203,001
Interest revenue	58,467	-	93,707	2,431,055	2,583,229
Other revenue	982,800	-	-	-	982,800
Capital grants, subsidies and contributions	-	15,394,282	-	-	15,394,282
Total	25,032,965	15,394,282	26,041,428	2,431,055	68,899,730

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	-	-	23,635,371	-	23,635,371
Grants, subsidies and contributions	16,162,013	-	-	-	16,162,013
Fees and charges	10,447,576	-	504,505	-	10,952,081
Interest revenue	60,978	-	46,828	1,419,130	1,526,936
Other revenue	1,003,835	-	-	-	1,003,835
Capital grants, subsidies and contributions	-	8,245,196	-	-	8,245,196
Total	27,674,402	8,245,196	24,186,704	1,419,130	61,525,432

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2024 Actual \$	2023 Actual \$
The Shire utilises volunteer services at the fire station, museum, Homecare and library. Volunteer services are not recognised as revenue as the fair value of the services cannot be reliably estimated.		
Interest revenue		
Financial assets at amortised cost - self supporting loans	55,658	60,978
Interest on reserve account	1,428,847	829,654
Trade and other receivables overdue interest	103,442	50,877
Other interest revenue	995,282	585,427
	2,583,229	1,526,936
Fees and charges relating to rates receivable		
Charges on instalment plan	65,972	33,633
The 2024 original budget estimate in relation to: Charges on instalment plan was \$60,000.		

(b) Expenses

Auditors remuneration		
- Audit of the Annual Financial Report	62,110	59,000
- Other services – grant acquittals	4,160	830
	66,270	59,830
Employee Costs		
Employee benefit costs	17,627,468	17,969,697
Other employee costs	3,751,138	3,113,960
	21,378,606	21,083,657
Finance costs		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	86,508	98,226
Lease liabilities	(2,472)	295
	84,036	98,521
Other expenditure		
Impairment losses on trade receivables	325,400	
Sundry expenses	1,001,571	597,449
	1,326,971	597,449

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

3. CASH AND CASH EQUIVALENTS

Note	2024 \$	2023 \$
Cash at bank and on hand	37,988,393	32,247,389
Term deposits	11,000,000	11,000,000
Total cash and cash equivalents	48,988,393	43,247,389
Held as		
- Unrestricted cash and cash equivalents	6,236,020	4,761,677
- Restricted cash and cash equivalents	42,752,373	38,485,712
	48,988,393	43,247,389

MATERIAL 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.

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

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

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to internally and externally imposed restrictions.

Restrictions are specified in an agreement, contract or legislation.

This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Note	2024 \$	2023 \$
Financial assets at amortised cost	404,455	4,190,736
	404,455	4,190,736
Other financial assets at amortised cost		
Self supporting loans receivable	404,455	190,736
Term deposits	-	4,000,000
	404,455	4,190,736
Held as		
- Unrestricted other financial assets at amortised cost	404,455	190,736
- Restricted other financial assets at amortised cost	-	4,000,000
	404,455	4,190,736

(b) Non-current assets

Financial assets at amortised cost	990,744	1,395,199
Financial assets at fair value through profit or loss	145,549	142,607
	1,136,293	1,537,806
Financial assets at amortised cost		
Self supporting loans receivable	990,744	1,395,199
	990,744	1,395,199
Financial assets at fair value through profit or loss		
Units in Local Government House Trust - opening balance	142,607	136,156
Movement attributable to fair value increment	2,942	6,451
Units in Local Government House Trust - closing balance	145,549	142,607

MATERIAL ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 22 (i)) due to the observable market rates).

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

Financial assets at fair value through profit or loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 20.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

5. TRADE AND OTHER RECEIVABLES

	Note	2024 \$	2023 \$
Current			
Rates and statutory receivables		228,165	68,312
Trade receivables		1,157,562	1,428,082
GST receivable		350,122	101,537
Allowance for credit losses of trade receivables	20(b)	(325,400)	-
		1,410,449	1,597,931
Non-current			
Rates and statutory receivables		110,073	101,408
		110,073	101,408

Disclosure of opening and closing balances related to contracts with customers

Information about receivables 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:

	Note	30 June 2024 Actual \$	30 June 2023 Actual \$	1 July 2022 Actual \$
Contract assets	7	998,683	1,226,375	796,278
Allowance for credit losses of trade receivables	5	(325,400)	-	-
Total trade and other receivables from contracts with customers		673,283	1,226,375	796,278

MATERIAL ACCOUNTING POLICIES

Rates and statutory receivables

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

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

Trade receivables

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

Other receivables

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

Measurement

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

Classification and subsequent measurement

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

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

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

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 20.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

6. INVENTORIES

Note	2024	2023
	\$	\$
Current		
Fuel and materials	38,527	82,955
Road making materials	399,263	440,964
Visitor Centre Stock	108,327	100,213
Land held for resale		
Cost of acquisition	800,000	985,354
	1,346,117	1,609,486
Non-current		
Land held for resale		
Cost of acquisition	3,305,969	2,830,744
	3,305,969	2,830,744
The following movements in inventories occurred during the year:		
Balance at beginning of year	4,440,230	4,303,538
Inventories expensed during the year	(2,073,426)	(2,355,269)
Additions to inventory	2,285,282	2,491,961
Balance at end of year	4,652,086	4,440,230

MATERIAL 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 Shire's intentions to release for sale.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

7. OTHER ASSETS

	2024	2023
	\$	\$
Other assets - current		
Accrued income	25,500	57,606
Contract assets	998,683	1,226,375
Interest Receivable	108,152	120,141
Infringements	14,266	14,016
	1,146,601	1,418,138

MATERIAL ACCOUNTING POLICIES

Contract assets

Contract assets primarily relate to the Shire's right to . consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers are detailed at Note 2(b).

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Assets not subject to operating lease		Total Property			Plant and equipment				Total property, plant and equipment
	Land	Buildings - non-specialised	Land	Buildings - non-specialised	Total Property	Furniture and equipment	Plant and equipment	Motor Vehicles	Roadmaking Plant	
Balance at 1 July 2022	27,292,072	56,666,294	27,292,072	56,666,294	83,958,366	625,014	6,558,704	2,635,208	9,205,879	102,983,171
Additions	13,255	1,727,372	13,255	1,727,372	1,740,627	161,259	60,444	1,000,256	2,169,031	5,131,617
Disposals	-	-	-	-	-	(5,068)	-	(387,455)	(441,297)	(833,820)
Depreciation	-	(2,262,912)	-	(2,262,912)	(2,262,912)	(105,807)	(671,322)	(302,701)	(1,293,818)	(4,636,560)
Transfers	-	1,065,319	-	1,065,319	1,065,319	-	83,680	-	(83,680)	1,065,319
Balance at 30 June 2023	27,305,327	57,196,073	27,305,327	57,196,073	84,501,400	675,398	6,031,506	2,945,308	9,556,115	103,709,727
Comprises:										
Gross balance amount at 30 June 2023	27,305,327	115,898,501	27,305,327	115,898,501	143,203,828	1,596,612	11,761,094	5,192,787	14,837,489	176,591,810
Accumulated depreciation at 30 June 2023	-	(58,702,428)	-	(58,702,428)	(58,702,428)	(921,214)	(5,729,588)	(2,247,479)	(5,281,374)	(72,882,083)
Balance at 30 June 2023	27,305,327	57,196,073	27,305,327	57,196,073	84,501,400	675,398	6,031,506	2,945,308	9,556,115	103,709,727
Additions	3,979	1,153,809	3,979	1,153,809	1,157,788	112,750	12,073	787,847	2,280,735	4,351,193
Disposals	(57,000)	-	(57,000)	-	(57,000)	-	-	(187,229)	(355,510)	(599,739)
Impairment (losses) / reversals	-	-	-	-	-	-	-	-	(2,765)	(2,765)
Depreciation	-	(2,350,540)	-	(2,350,540)	(2,350,540)	(122,047)	(597,333)	(411,672)	(1,406,332)	(4,887,924)
Transfers	-	898,292	-	898,292	898,292	-	144,740	-	-	1,043,032
Balance at 30 June 2024	27,252,306	56,897,634	27,252,306	56,897,634	84,149,940	666,101	5,590,986	3,134,254	10,072,243	103,613,524
Comprises:										
Gross balance amount at 30 June 2024	27,252,306	117,950,602	27,252,306	117,950,602	145,202,908	1,709,363	11,917,907	5,628,631	16,070,224	180,529,033
Accumulated depreciation at 30 June 2024	-	(61,052,968)	-	(61,052,968)	(61,052,968)	(1,043,262)	(6,326,921)	(2,494,377)	(5,997,981)	(76,915,509)
Balance at 30 June 2024	27,252,306	56,897,634	27,252,306	56,897,634	84,149,940	666,101	5,590,986	3,134,254	10,072,243	103,613,524

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Amount Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value - as determined at the last valuation date					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent registered valuer	June 2020	Price per hectare / market borrowing rate
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2020	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs. The valuation techniques applied to property subject to lease was the same as that applied to property not subject to lease.					
(ii) Cost					
Furniture and equipment		Cost	Cost		Purchase cost
Plant and equipment		Cost	Cost		Purchase cost
Roadmaking Plant		Cost	Cost		Purchase cost
Motor vehicles - specialised		Cost	Cost		Purchase cost

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Infrastructure - other	Infrastructure - work in progress	Other infrastructure - Pipes & Culverts	Other infrastructure - Airport	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	343,564,833	13,048,480	18,485,350	9,087,364	21,685,541	1,865,142	8,063,794	4,040,244	419,840,748
Additions	14,378,553	300,758	4,654	839,728	497,826	1,559,460	-	-	17,580,979
Revaluation increments / (decrements) transferred to revaluation surplus	130,094,648	6,402,205	9,551,257	6,242,416	6,977,951	-	4,505,928	4,642,108	168,416,513
Depreciation	(13,529,647)	(660,348)	(211,859)	(1,184,076)	(924,949)	-	(118,744)	(203,643)	(16,833,266)
Transfers	-	-	-	542,383	861	(1,608,563)	-	-	(1,065,319)
Balance at 30 June 2023	474,508,387	19,091,095	27,829,402	15,527,815	28,237,230	1,816,039	12,450,978	8,478,709	587,939,655
Comprises:									
Gross balance at 30 June 2023	573,725,860	27,227,679	32,035,537	26,663,309	33,607,373	1,816,039	18,738,982	11,365,411	725,180,190
Accumulated depreciation at 30 June 2023	(99,217,473)	(8,136,584)	(4,206,135)	(11,135,494)	(5,370,143)	-	(6,288,004)	(2,886,702)	(137,240,535)
Balance at 30 June 2023	474,508,387	19,091,095	27,829,402	15,527,815	28,237,230	1,816,039	12,450,978	8,478,709	587,939,655
Additions	21,998,177	207,565	62,407	128,656	261,958	3,596,224	-	-	26,254,987
Depreciation	(13,600,879)	(846,237)	(304,507)	(1,537,008)	(894,656)	-	(184,815)	(382,441)	(17,750,543)
Transfers	-	-	-	49,059	16,397	(1,108,488)	-	-	(1,043,032)
Balance at 30 June 2024	482,905,685	18,452,423	27,587,302	14,168,522	27,620,929	4,303,775	12,266,163	8,096,268	595,401,067
Comprises:									
Gross balance at 30 June 2024	595,724,037	27,435,244	32,097,944	26,841,024	33,885,727	4,303,775	18,738,982	11,365,411	750,392,144
Accumulated depreciation at 30 June 2024	(112,818,352)	(8,982,821)	(4,510,642)	(12,672,502)	(6,264,798)	-	(6,472,819)	(3,269,143)	(154,991,077)
Balance at 30 June 2024	482,905,685	18,452,423	27,587,302	14,168,522	27,620,929	4,303,775	12,266,163	8,096,268	595,401,067

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

9. INFRASTRUCTURE (Continued)

(b) Carrying Amount Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value - as determined at the last valuation date					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - other	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - work in progress	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure - Pipes & Culverts	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs
Other infrastructure - Airport	3	Cost approach using depreciated replacement cost	Management valuation	June 2023	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

10. FIXED ASSETS

(a) Depreciation

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 75 years
Furniture and equipment	5 to 20 years
Plant and equipment	3 to 15 years
Motor vehicles	5 to 20 years
Road making plant	5 to 12 years
Infrastructure - roads	15 to 60 years
Other infrastructure - drainage	30 to 100 years
Other infrastructure - parks and ovals	10 to 30 years
Other infrastructure - other infrastructure	10 to 70 years
Other infrastructure - culverts and pipes	30 to 100 years
Other infrastructure - Esperance airport	10 to 50 years
Right of use - plant and equipment	Based on the remaining lease

(b) Fully Depreciated Assets in Use

The gross carrying amount of assets held by the Shire which are currently in use yet fully depreciated are shown in the table below.

	2024	2023
	\$	\$
Buildings	83,000	-
Furniture and equipment	212,836	-
Plant and equipment	159,134	8,000
Motor vehicles	928,172	419,000
Road making plant	713,500	66,000
	2,096,642	493,000

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

10. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the 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. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

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 *Local Government (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.

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under *Local Government (Financial Management) Regulation 17A(2)*. Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses being their reportable value.

Reportable Value

In accordance with *Local Government (Financial Management) Regulation 17A(2)*, the carrying amount of non-financial assets that are *land and buildings classified as property, plant and equipment*, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value is for the purpose of *Local Government (Financial Management) Regulation 17A(4)* is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, *infrastructure or vested improvements that the local government controls* and measured at reportable value, are only required to be revalued every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on land vested in the Shire.

Whilst the regulatory framework only requires a revaluation to occur every five years, it also provides for the Shire to revalue earlier if it chooses to do so.

For land, buildings and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity.

Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

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

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

Depreciation on revaluation

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

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

Impairment

In accordance with *Local Government (Financial Management) Regulations 17A(4C)*, the Shire is not required to comply with *AASB 136 Impairment of Assets* to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more of these non-financial assets are impaired, the asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal

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

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

11. LEASES

(a) Right-of-Use Assets

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

	Note	Right-of-use assets - plant and equipment \$	Right-of-use assets Total \$
Balance at 1 July 2022		31,416	31,416
Depreciation		(22,753)	(22,753)
Balance at 30 June 2023		8,663	8,663
Gross balance amount at 30 June 2023		86,306	86,306
Accumulated depreciation at 30 June 2023		(77,643)	(77,643)
Balance at 30 June 2023		8,663	8,663
Additions		99,307	99,307
Depreciation		(19,860)	(19,860)
Balance at 30 June 2024		88,110	88,110
Gross balance amount at 30 June 2024		99,307	99,307
Accumulated depreciation at 30 June 2024		(11,197)	(11,197)
Balance at 30 June 2024		88,110	88,110

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

		2024 Actual \$	2023 Actual \$
Depreciation on right-of-use assets		(19,860)	(22,753)
Finance charge on lease liabilities	26(b)	(2,472)	(295)
Total amount recognised in the statement of comprehensive income		(22,332)	(23,048)
Total cash outflow from leases		(21,443)	(23,400)
(b) Lease Liabilities			
Current		10,186	8,784
Non-current		78,934	-
	26(b)	89,120	8,784

Secured liabilities and assets pledged as security

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

MATERIAL 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 for a period of time in exchange for consideration.

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

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

Details of individual lease liabilities required by regulations are provided at Note 26(b).

Right-of-use assets - measurement

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

Refer to Note 10 under revaluation for details on the material accountir

Right-of-use assets - depreciation

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

11. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

Less than 1 year
1 to 2 years
2 to 3 years
3 to 4 years
4 to 5 years
> 5 years

	2024 Actual	2023 Actual
	\$	\$
	150,000	150,000
	300,000	300,000
	300,000	300,000
	300,000	300,000
	300,000	300,000
	2,762,500	2,912,500
	<u>4,112,500</u>	<u>4,262,500</u>

The Shire has leased the caravan park to RAC for a term of 35 years commencing in 2019-20.
The Shire leased Blue Waters Lodge to RAC for a term of 21 years commencing in 2023-24.

MATERIAL ACCOUNTING POLICIES

The Shire as Lessor

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Shire applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Prepaid rates	
Accrued payroll liabilities	
Bonds and deposits held	
Accrued interest on long term borrowings	

2024	2023
\$	\$
2,025,697	1,165,128
4,859	142,511
756,251	727,642
356,906	425,484
10,683	9,548
3,154,396	2,470,313

MATERIAL ACCOUNTING POLICIES

Financial liabilities

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

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

13. OTHER LIABILITIES

	2024	2023
	\$	\$
Current		
Contract liabilities	2,612,488	3,378,442
	<u>2,612,488</u>	<u>3,378,442</u>
Reconciliation of changes in contract liabilities		
Opening balance	3,378,442	2,211,302
Additions	2,612,488	3,378,442
Revenue from contracts with customers included as a contract liability at the start of the period	(3,378,442)	(2,211,302)
	<u>2,612,488</u>	<u>3,378,442</u>

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$2,612,488 (2023: \$3,378,442)

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

MATERIAL ACCOUNTING POLICIES

Contract liabilities

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

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

14. BORROWINGS

	Note	2024			2023		
		Current	Non-current	Total	Current	Non-current	Total
Unsecured		\$	\$	\$	\$	\$	\$
Other loans		461,774	1,554,401	2,016,175	245,549	2,016,175	2,261,724
Total unsecured borrowings	26(a)	461,774	1,554,401	2,016,175	245,549	2,016,175	2,261,724

MATERIAL ACCOUNTING POLICIES

Borrowing costs

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

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

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 22(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 20.

Details of individual borrowings required by regulations are provided at Note 26(a).

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2024	2023
Current provisions	\$	\$
Employee benefit provisions		
Annual leave	2,267,170	2,166,344
Long service leave	1,516,859	1,566,901
	<u>3,784,029</u>	<u>3,733,245</u>
Total current employee related provisions	3,784,029	3,733,245
Non-current provisions		
Employee benefit provisions		
Long service leave	411,208	388,124
	<u>411,208</u>	<u>388,124</u>
Total non-current employee related provisions	411,208	388,124
Total employee related provisions	4,195,237	4,121,369

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

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

	Note	2024	2023
Amounts are expected to be settled on the following basis:		\$	\$
Less than 12 months after the reporting date		1,399,430	1,149,009
More than 12 months from reporting date		2,795,807	2,972,360
		<u>4,195,237</u>	<u>4,121,369</u>

Expected reimbursements of employee related provisions from other WA local governments included within other receivables

5	-	-
---	---	---

MATERIAL ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

16. OTHER PROVISIONS

	Make good provisions	Total
	\$	\$
Opening balance at 1 July 2023		
Non-current provisions	5,983,871	5,983,871
	5,983,871	5,983,871
Additional provision	239,355	239,355
Balance at 30 June 2024	6,223,226	6,223,226
Comprises		
Non-current	6,223,226	6,223,226
	6,223,226	6,223,226

Other provisions

Amounts which are expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Make good provisions

Under licence for the operation of Wylie Bay Waste Facility landfill site, the Shire has a legal obligation to restore the site.

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

The provision for future remediation costs is the best estimate of present value of the expenditure required to settle the remediation obligation at the reporting date.

Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

MATERIAL ACCOUNTING POLICIES

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.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

17. REVALUATION SURPLUS

	2024	Total	2024	2023	Total	2023
	Opening	Movement on	Closing	Opening	Movement on	Closing
	Balance	Revaluation	Balance	Balance	Revaluation	Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	37,565,324	-	37,565,324	37,565,324	-	37,565,324
Revaluation surplus - Furniture and equipment	120,357	-	120,357	120,357	-	120,357
Revaluation surplus - Plant and equipment	1,281,689	-	1,281,689	1,281,689	-	1,281,689
Revaluation surplus - Motor Vehicles	786,448	-	786,448	786,448	-	786,448
Revaluation surplus - Roadmaking Plant	668,986	-	668,986	668,986	-	668,986
Revaluation surplus - Infrastructure - roads	264,678,825	-	264,678,825	134,584,177	130,094,648	264,678,825
Revaluation surplus - Infrastructure - footpaths	12,602,185	-	12,602,185	6,199,980	6,402,205	12,602,185
Revaluation surplus - Infrastructure - drainage	22,057,698	-	22,057,698	12,506,440	9,551,258	22,057,698
Revaluation surplus - Infrastructure - parks and ovals	9,660,606	-	9,660,606	3,418,190	6,242,416	9,660,606
Revaluation surplus - Infrastructure - other	8,343,371	-	8,343,371	1,365,420	6,977,951	8,343,371
Revaluation surplus - Other infrastructure - Pipes & Culverts	13,119,034	-	13,119,034	8,613,107	4,505,927	13,119,034
Revaluation surplus - Other infrastructure - Airport	5,896,073	-	5,896,073	1,253,965	4,642,108	5,896,073
	376,780,596	-	376,780,596	208,364,083	168,416,513	376,780,596

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	Note	2024 Actual \$	2023 Actual \$
Cash and cash equivalents	3	48,988,393	43,247,389
Restrictions			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	42,752,373	38,485,712
- Financial assets at amortised cost	4	-	4,000,000
		42,752,373	42,485,712
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	27	40,139,885	39,107,270
Contract liabilities	13	2,612,488	3,378,442
Total restricted financial assets		42,752,373	42,485,712

**(b) Reconciliation of Net Result to Net Cash Provided
By Operating Activities**

Net result		8,693,229	5,003,204
Non-cash items:			
Depreciation/amortisation		22,658,326	21,492,577
(Profit)/loss on sale of asset		(478,595)	(1,515,972)
Impairment of plant and equipment		2,765	-
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		178,817	(104,106)
(Increase)/decrease in other assets		43,845	(502,967)
(Increase)/decrease in inventories		5,253	(136,690)
(Increase)/decrease in contract assets		227,693	(131,525)
Increase/(decrease) in trade and other payables		684,083	(634,773)
Increase/(decrease) in employee related provisions		73,865	772,640
Increase/(decrease) in other provisions		239,355	290,498
Increase/(decrease) in other liabilities		(765,954)	1,167,140
Capital grants, subsidies and contributions		(15,394,282)	(8,245,196)
Net cash provided by/(used in) operating activities		16,168,400	17,454,830

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank overdraft limit		200,000	200,000
Bank overdraft at balance date		-	-
Credit card limit		80,000	80,000
Credit card balance at balance date		(7,071)	(3,610)
Total amount of credit unused		272,929	276,390

Loan facilities

Loan facilities - current		461,774	245,549
Loan facilities - non-current		1,554,401	2,016,175
Total facilities in use at balance date		2,016,175	2,261,724

Unused loan facilities at balance date		NIL	NIL
---	--	-----	-----

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

19. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

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

Note	2024 Actual \$	2024 Budget \$	2023 Actual \$
President's annual allowance	35,880	35,880	35,880
President's meeting attendance fees	22,880	22,880	22,880
President's annual allowance for ICT expenses	1,560	1,560	1,560
	60,320	60,320	60,320
Deputy President's annual allowance	8,970	8,970	8,970
Deputy President's meeting attendance fees	18,720	18,720	18,720
Deputy President's annual allowance for ICT expenses	1,560	1,560	1,560
	29,250	29,250	29,250
All other council member's meeting attendance fees	131,040	131,040	131,040
All other council member's annual allowance for ICT expenses	10,920	10,920	10,920
	141,960	141,960	141,960
19(b)	231,530	231,530	231,530

(b) Key Management Personnel (KMP) Compensation

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

Short-term employee benefits	891,207	654,929
Post-employment benefits	104,804	77,394
Employee - other long-term benefits	7,635	88,703
Council member costs	231,530	231,530
19(a)	1,235,176	1,052,556

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Council member costs

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

19. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

	2024 Actual	2023 Actual
	\$	\$
Purchase of goods and services	268,352	70,807
Short term employee benefits - other related parties	160,008	123,311
Payment of council member costs (Refer to Note 23(a))	231,530	231,530
Amounts outstanding from related parties:		
Trade and other receivables	815	-

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 Shire, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 19(a) and 19(b).

ii. Other Related Parties

Short-term employee benefits related to an associate person of the CEO who was employed by the Shire under normal employment terms and conditions.

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

iii. Entities subject to significant influence by the Shire

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

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents, term deposits, and Treasury bonds 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
	%	\$	\$	\$	\$
2024					
Cash and cash equivalents	4.22%	48,988,393	11,000,000	37,988,393	-
Financial assets at amortised cost - term deposits	0.00%	-	-	-	-
Financial assets at amortised cost - Treasury bonds					
2023					
Cash and cash equivalents	2.51%	43,247,389	11,000,000	27,526,948	4,720,441
Financial assets at amortised cost - term deposits	4.45%	3,999,998	3,999,998	-	-
Financial assets at amortised cost - Treasury bonds					

Sensitivity

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

	2024	2023
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	379,884	275,269

* 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 26(a).

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

20. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

The Shire's major trade and other receivables comprise contractual non-statutory user fees and charges, grants, contributions and reimbursements. 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.

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 Financial Instruments simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, receivables from grants, contributions and reimbursements are separated from other trade receivables due to the difference in payment terms and security.

The expected loss rates are based on the payment profiles of trade and other receivables over a period of 36 months before 1 July 2023 or 1 July 2024 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 users to settle the receivables.

The loss allowance as at 30 June 2024 and 30 June 2023 was determined as follows for trade and other receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2024					
Trade receivables					
Expected credit loss	23.61%	48.84%	0.00%	0.00%	
Gross carrying amount	918,805	222,094	1,544	15,120	1,157,563
Loss allowance	216,933	108,467	-	-	325,400
	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	213,303	10,387	1,433	3,042	228,165
Loss allowance	-	-	-	-	-
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2023					
Trade receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	1,319,306	62,488	2,733	43,555	1,428,082
Loss allowance	-	-	-	-	-
	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	36,074	13,110	14,182	4,946	68,312
Loss allowance	-	-	-	-	-

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

20. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The loss allowances for trade, other receivables and contract assets as at 30 June reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables		Contract Assets	
	2024 Actual	2023 Actual	2024 Actual	2023 Actual	2024 Actual	2023 Actual
	\$	\$	\$	\$	\$	\$
Opening loss allowance as at 1 July	-	-	-	-	-	-
Increase in loss allowance recognised in profit or loss during the year	325,400	-	-	-	-	-
Receivables written off during the year as uncollectible	-	79	175	-	-	-
Unused amount reversed	-	(79)	(175)	-	-	-
Closing loss allowance at 30 June	325,400	-	-	-	-	-

Trade, other receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Shire, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on rates and statutory receivables, trade, other receivables and contract assets are presented as net impairment losses within other expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract Assets

The Shire's contract assets represent work completed, which have not been invoiced at year end. This is due to the Shire not having met all the performance obligations in the contract which give an unconditional right to receive consideration.

The Shire applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Shire has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

20. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 18(c).

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 amounts, 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 amount
<u>2024</u>	\$	\$	\$	\$	\$
Trade and other payables	3,154,396	-	-	3,154,396	3,154,396
Borrowings	461,774	832,545	721,856	2,016,175	2,016,175
Lease liabilities	22,292	76,535	-	98,827	89,120
	<u>3,638,462</u>	<u>909,080</u>	<u>721,856</u>	<u>5,269,398</u>	<u>5,259,691</u>
<u>2023</u>					
Trade and other payables	2,470,313	-	-	2,470,313	2,470,313
Borrowings	320,584	1,171,720	1,243,608	2,735,912	2,261,724
Lease liabilities	8,784	-	-	8,784	8,784
	<u>2,799,681</u>	<u>1,171,720</u>	<u>1,243,608</u>	<u>5,215,009</u>	<u>4,740,821</u>

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

21. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Following the end of the financial year Regional Express Pty Ltd ("REX") was placed into voluntary administration.

As at 30 June 2024, REX made up \$434,336 of the Shire's trade receivables. In July 2024, the Shire received payments to the value of \$108,936 reducing the outstanding trade receivable figure to \$325,400.

As at 30 June 2024, the Shire had no indication that the amounts owed by REX would not be collected.

Subsequent to REX entering administration on 30 July 2024, the Shire has taken a conservative approach in its assessment, in that no material return to unsecured creditors is likely, and an allowance for credit losses related to the amounts owed by REX has been recognised in the Shire's financial statements.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

22. OTHER MATERIAL ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

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

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount except for non-financial assets that are:

- land and buildings classified as property, plant and equipment;
- infrastructure; or
- vested improvements that the local government controls, in circumstances where there has been an impairment indication of a general decrease in asset values.

These non-financial assets are assessed in accordance with the regulatory framework detailed in Note 10.

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 *Property, Plant and Equipment*) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

23. FUNCTION AND ACTIVITY

(a) Service objectives and descriptions

Shire operations as disclosed in this financial report encompass the following service orientated functions and activities.

Objective	Description
<p>Governance To provide a decision making process for the efficient allocation of scarce resources.</p>	Includes the activities of members of Council (Councillors) and the administration support services available to the Council for the provision of governance of the district. Other costs relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific services.
<p>General purpose funding To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue.
<p>Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including beaches and emergency services.
<p>Health To provide an operational framework for good community health.</p>	Inspection of food outlets and their control as well as provision of meat inspection services, noise control and waste disposal compliance.
<p>Education and welfare To provide services to disadvantaged persons, the elderly, children and youth.</p>	Maintenance of child minding centre, playgroup centre, senior citizens centre and aged care centre. Provision and maintenance of home and community care programs and youth support services.
<p>Community amenities To provide services required by the community.</p>	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
<p>Recreation and culture To establish and effectively manage infrastructure and resources which will help the social well being of the community.</p>	Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operations of library, museum and other cultural facilities.
<p>Transport To provide safe, effective and efficient transport services to the community.</p>	Construction and maintenance of roads, street, footpaths, depots, cycleways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc. Provision and operation of airport. Provision of licensing facilities.
<p>Economic services To help promote the Shire and its economic well being.</p>	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building control.
<p>Other property and services To monitor and control Council's overheads and operating accounts.</p>	Private works, plant repair and operation costs and engineering operation costs.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

23. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2024	2023
	Actual	Actual
	\$	\$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	471,690	220,406
General purpose funding	27,970,274	25,113,759
Law, order, public safety	100,255	75,461
Health	71,595	74,227
Education and welfare	681,990	755,068
Community amenities	5,632,763	5,891,360
Recreation and culture	2,546,159	2,255,299
Transport	1,958,332	1,884,209
Economic services	648,846	697,650
Other property and services	622,666	1,723,201
	40,704,570	38,690,640
Grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	81,219	501,173
General purpose funding	7,202,385	9,192,259
Law, order, public safety	847,705	827,822
Health	1,724	61,497
Education and welfare	4,720,341	5,104,891
Community amenities	321,904	319,084
Recreation and culture	1,604,774	520,920
Transport	13,586,474	7,573,643
Economic services	72,768	123,353
Other property and services	259,000	182,567
	28,698,294	24,407,209
Total Income	69,402,864	63,097,849
Expenses		
Governance	(2,468,711)	(2,397,275)
General purpose funding	(610,204)	(394,593)
Law, order, public safety	(2,716,926)	(2,487,397)
Health	(475,493)	(480,990)
Education and welfare	(5,452,415)	(5,465,347)
Community amenities	(6,213,447)	(6,826,477)
Recreation and culture	(15,481,998)	(13,536,787)
Transport	(23,624,788)	(23,005,417)
Economic services	(2,144,727)	(2,112,644)
Other property and services	(1,520,926)	(1,387,718)
Total expenses	(60,709,635)	(58,094,645)
Net result for the period	8,693,229	5,003,204
(c) Total Assets		
Governance	7,191,487	32,445,118
General purpose funding	31,892,370	7,782,096
Law, order, public safety	7,887,566	8,555,734
Health	0	12,961
Education and welfare	8,283,424	7,962,934
Community amenities	18,466,758	16,460,685
Recreation and culture	79,941,186	84,700,075
Transport	573,863,198	567,744,040
Economic services	235,415	625,997
Other property and services	8,494,608	7,980,226
Unallocated	20,695,039	13,921,817
	756,951,051	748,191,683

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

24. RATING INFORMATION

(a) General Rates

RATE TYPE		2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2023/24	2022/23	
Rate Description	Basis of valuation	Rate in \$	Number of Properties	Actual Rateable Value*	Actual Rate Revenue	Actual Interim Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Total Revenue	Actual Total Revenue
		\$		\$	\$	\$	\$	\$	\$	\$	\$
GRV Residential	Gross rental valuation	0.114809	3,943	66,444,954	7,651,890	89,606	7,741,496	7,656,654	35,011	7,691,665	7,174,305
GRV - Commercial/Industrial	Gross rental valuation	0.114809	415	27,441,709	3,150,558	98,576	3,249,134	3,145,794	-	3,145,794	2,953,821
GRV - Vacant	Gross rental valuation	0.114809	79	1,543,435	177,200	(1,783)	175,417	177,200	-	177,200	166,043
UV - Rural	Unimproved valuation	0.004392	986	2,430,106,000	10,673,730	(59,181)	10,614,549	10,673,730	-	10,673,730	9,947,640
Total general rates			5,423	2,525,536,098	21,653,378	127,218	21,780,596	21,653,378	35,011	21,688,389	20,241,809
Minimum Payment											
Minimum payment											
GRV Residential	Gross rental valuation	1,356	1,373	13,214,693	1,861,788	(7,447)	1,854,341	1,860,432	-	1,860,432	1,739,924
GRV - Commercial/Industrial	Gross rental valuation	1,356	61	425,015	82,716	6,424	89,140	84,072	-	84,072	79,564
GRV - Vacant	Gross rental valuation	1,356	526	2,613,400	713,256	(46,058)	667,198	707,832	-	707,832	657,919
UV - Rural	Unimproved valuation	1,375	204	35,877,300	280,501	1,935	282,436	279,125	-	279,125	199,959
UV Commercial/Industrial	Unimproved valuation	1,375	3	400,491	4,125	-	4,125	5,501	-	5,501	197,205
UV-Mining	Unimproved valuation	1,375	165	3,536,764	226,875	3,530	230,405	229,625	-	229,625	5,093
Total minimum payments			2,332	56,067,663	3,169,261	(41,616)	3,127,645	3,166,587	-	3,166,587	2,879,664
Total general rates and minimum payments			7,755	2,581,603,761	24,822,639	85,602	24,908,241	24,819,965	35,011	24,854,976	23,121,473
Ex-gratia Rates and prepaid rates											
CBH Storage Facilities		N/A	-	-	397,936	-	397,936	397,936	-	397,936	352,802
Prepaid Rates		N/A	-	-	142,511	-	142,511	100,000	-	100,000	178,295
Total amount raised from rates (excluding general rates)			-	-	540,447	-	540,447	497,936	-	497,936	531,097
Discounts							(16,282)			(16,282)	(17,199)
Total Rates							25,432,406			25,336,630	23,635,371
Rate instalment interest							65,972			60,000	33,633
Rate overdue interest							2,809			19,000	13,195

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

*Rateable Value at time of raising of rate.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

25. DETERMINATION OF SURPLUS OR DEFICIT

Note	2023/24 (30 June 2024 Carried Forward) \$	2023/24 Budget (30 June 2024 Carried Forward) \$	2023/24 (1 July 2023 Brought Forward) \$	2022/23 (30 June 2023 Carried Forward) \$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
	(503,134)	(672,538)	(1,572,415)	(1,572,415)
	(56,394)	216,484	(755,926)	(755,926)
	24,539	130,124	56,443	56,443
8(a)	2,765	-	-	-
10(a)	22,658,326	25,435,663	21,492,577	21,492,577
Non-cash movements in non-current assets and liabilities:				
	(8,665)	5,000	(3,949)	(3,949)
	32,049	100,000	165,732	165,732
	239,355	-	290,498	290,498
	(10,187)	14,321	(5,767)	(5,767)
	-	(1,514,321)	943,838	943,838
	22,378,654	23,714,733	20,611,031	20,611,031
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to investing activities				
11(a)	99,307	-	-	-
	-	1,500,000	-	-
	99,307	1,500,000	-	-
(c) Non-cash amounts excluded from financing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to financing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to financing activities				
26(b)	(99,307)	-	-	-
	(99,307)	-	-	-
(d) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
27	(40,139,885)	(24,074,890)	(39,107,270)	(39,107,270)
4(a)	(404,455)	(494,457)	(190,736)	(190,736)
	-	-	-	-
	-	-	-	-
6	(800,000)	(500,000)	(985,354)	(985,354)
Add: Current liabilities not expected to be cleared at end of year				
	461,774	1,301,776	245,549	245,549
	10,186	213	8,784	8,784
	-	1,500,000	-	-
	-	2,250,652	1,876,941	1,876,941
	(39,053,233)	(20,016,706)	(38,152,086)	(38,152,086)
Net current assets used in the Statement of Financial Activity				
	53,296,015	31,966,422	52,063,680	52,063,680
	(10,022,873)	(11,971,716)	(9,836,333)	(9,836,333)
	(39,053,233)	(20,016,706)	(38,152,086)	(38,152,086)
	4,219,909	(22,000)	4,075,261	4,075,261

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

26. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget			
		Principal at 1 July 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	New Loans During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024	Principal at 1 July 2023	New Loans During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024
Shark Lake Industrial Park		\$ 728,206	\$ -	\$ (52,417)	\$ 675,789	\$ -	\$ (54,813)	\$ 620,976	\$ 675,789	\$ -	\$ (54,813)	\$ 620,976
Total		728,206	-	(52,417)	675,789	-	(54,813)	620,976	675,789	-	(54,813)	620,976
Self Supporting Loans												
Pink Lake Country Club		6,183	-	(6,183)	-	-	-	-	-	-	-	-
Recherche Aged Welfare		202,663	-	(18,599)	184,064	-	(19,810)	164,254	184,065	-	(19,811)	164,254
Esperance Bay Yacht Club		276,263	-	(18,281)	257,982	-	(19,209)	238,773	257,982	-	(19,208)	238,774
Newtown Condingup Football Club		38,153	-	(5,888)	32,265	-	(6,069)	26,196	32,265	-	(6,069)	26,196
Esperance Bay Yacht Club		18,833	-	(12,473)	6,360	-	(6,360)	-	6,360	-	(6,360)	-
Gibson Football Club		82,940	-	(40,964)	41,976	-	(41,975)	1	41,976	-	(41,975)	1
Condingup District Recreation Association		404,548	-	(48,376)	356,172	-	(48,813)	307,359	356,170	-	(48,813)	307,357
Esperance Tennis Club		15,046	-	(4,985)	10,061	-	(5,015)	5,046	10,061	-	(5,015)	5,046
Esperance Bay Yacht Club		739,534	-	(42,479)	697,055	-	(43,485)	653,570	697,054	-	(43,485)	653,569
Total Self Supporting Loans		1,784,163	-	(198,228)	1,585,935	-	(190,736)	1,395,199	1,585,933	-	(190,736)	1,395,197
Total Borrowings	14	2,512,369	-	(250,645)	2,261,724	-	(245,549)	2,016,175	2,261,722	-	(245,549)	2,016,173

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Finance Cost Payments

Purpose	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2024	Budget for year ending 30 June 2024	Actual for year ending 30 June 2023
Shark Lake Industrial Park	296	WATC	4.52%	28/06/2033	(34,545)	(34,550)	(37,248)
Total					(34,545)	(34,550)	(37,248)
Self Supporting Loans Finance Cost Payments							
Pink Lake Country Club	261	WATC	6.65%	12/07/2022	-	-	(101)
Recherche Aged Welfare	291	WATC	6.36%	30/12/2030	(11,833)	(12,484)	(13,775)
Esperance Squash Club	292	WATC	6.05%	15/12/2020	-	-	89
Esperance Bay Yacht Club	295	WATC	5.01%	26/08/2033	(13,245)	(14,059)	(15,129)
Newtown Condingup Football Club	299	WATC	3.05%	27/06/2028	(1,050)	(1,043)	(1,374)
Esperance Bay Yacht Club	300	WATC	2.63%	04/12/2023	(64)	(43)	(442)
Gibson Football Club	301	WATC	2.47%	23/01/2024	(733)	(754)	(2,063)
Condingup District Recreation Association	302	WATC	0.90%	05/06/2025	(4,316)	(5,481)	(6,234)
Esperance Tennis Club	303	WATC	0.61%	30/04/2025	(92)	(116)	(187)
Esperance Bay Yacht Club	304	WATC	2.35%	13/01/2037	(18,158)	(19,144)	(21,762)
Total Self Supporting Loans Finance Cost Payments					(49,491)	(53,124)	(60,978)
Total Finance Cost Payments					(84,036)	(87,674)	(98,226)

* WA Treasury Corporation

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

26. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal			Principal at 30 June 2023	Principal			Principal at 1 July 2023	Principal		
		Principal at 1 July 2022	New Leases During 2022-23	Repayments During 2022-23		New Leases During 2023-24	Repayments During 2023-24	Principal at 30 June 2024		New Leases During 2023-24	Repayments During 2023-24	Principal at 30 June 2024
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Gym equipment		22,900	-	(17,133)	5,767		(5,767)	-	5,767	-	(5,767)	-
Motor vehicle		8,989	-	(5,972)	3,017		(3,017)	-	3,230	-	(3,017)	213
Gym Equipment		-	-	-	-	99,307	(10,187)	89,120	-	-	-	-
Total Lease Liabilities	11(b)	31,889	-	(23,105)	8,784	99,307	(18,971)	89,120	8,997	-	(8,784)	213

Lease Finance Cost Payments

Purpose	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2024	Budget for year ending 30 June 2024	Actual for year ending 30 June 2023	Lease Term
					\$	\$	\$	
Gym equipment		Maia Financial	1.40%	31/10/2023	(14)	(14)	(210)	60 months
Motor vehicle		Toyota Fleet	1.40%	31/12/2023	(12)	(12)	(85)	27 months
Gym Equipment		Maia Financial	4.58%	31/12/2028	(2,446)	-	-	60 months
Total Finance Cost Payments					(2,472)	(26)	(295)	

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

27. RESERVE ACCOUNTS	2024	2024	2024	2024	2024	2024	2024	2024	2023	2023	2023	2023
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Employee Entitlements Long Service Leave	1,308,314	61,160	-	1,369,474	1,308,314	31,714	-	1,340,028	1,204,562	103,752	-	1,308,314
(b) Land Purchase and Development	4,753,852	819,955	(1,532,811)	4,040,996	4,753,852	1,265,232	(4,458,079)	1,561,005	4,159,764	3,931,831	(3,337,743)	4,753,852
(c) Eastern Suburbs Water Pipeline	39,180	1,832	-	41,012	39,180	950	-	40,130	38,138	1,042	-	39,180
(d) Jetty	317,976	154,864	-	472,840	317,976	147,708	-	465,684	173,244	144,732	-	317,976
(e) Aerodrome	6,850,889	582,790	(284,362)	7,149,317	6,850,889	278,967	(737,000)	6,392,856	6,541,811	586,293	(277,215)	6,850,889
(f) Off Street Parking	557,726	26,072	-	583,798	557,726	13,519	-	571,245	543,406	14,320	-	557,726
(g) Sanitation (Rubbish Removal)	11,259,138	2,191,456	(1,177,778)	12,272,816	11,259,138	1,050,586	(3,592,007)	8,717,717	9,976,260	1,657,522	(374,644)	11,259,138
(h) EHC Asset Replacement	994,990	46,513	(449,901)	591,602	994,990	24,119	(484,342)	534,767	1,198,613	292,786	(496,409)	994,990
(i) Esperance Home Care Fundraising	743,736	272,998	-	1,016,734	743,736	18,028	-	761,764	357,890	385,846	-	743,736
(j) Unspent Grants and Contributions	8,168,376	7,178,017	(8,168,374)	7,178,019	8,168,376	-	(8,168,376)	-	6,220,287	8,168,376	(6,220,287)	8,168,376
(k) Plant Replacement	768,104	35,907	(170,800)	633,211	768,104	18,619	(170,800)	615,923	484,355	283,749	-	768,104
(l) Building Maintenance	2,086,654	1,108,779	(204,117)	2,991,316	2,086,654	305,795	(509,785)	1,882,664	1,644,550	589,368	(147,264)	2,086,654
(m) Governance and Workers Compensation	43,752	182,045	(7,364)	218,433	43,752	81,061	(62,364)	62,449	77,632	82,120	(116,000)	43,752
(n) IT System and Process Development	44,025	52,058	(19,500)	76,583	44,025	51,067	(19,500)	75,592	61,544	1,681	(19,200)	44,025
(o) Esperance Home Care Annual Leave	318,826	14,904	-	333,730	318,826	7,728	-	326,554	296,438	22,388	-	318,826
(p) Esperance Home Care Long Service Leave	311,601	23,731	-	335,332	311,601	7,553	-	319,154	252,848	58,753	-	311,601
(q) Priority Projects	540,131	424,703	(130,162)	834,672	540,131	63,093	(195,866)	407,358	727,990	69,882	(257,741)	540,131
	39,107,270	13,177,784	(12,145,169)	40,139,885	39,107,270	3,365,739	(18,398,119)	24,074,890	33,959,332	16,394,441	(11,246,503)	39,107,270

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 account	Purpose of the reserve account
Restricted by council	
(a) Employee Entitlements Long Service Leave	Established to fund a portion of future commitments for employee entitlements incurred as a result of employing staff and workers in relation to Long Service Leave. Home Care Long Service Leave Reserve specific to Esperance Home Care.
(b) Land Purchase and Development	Established to fund land improvement and sub-division development.
(c) Eastern Suburbs Water Pipeline	Established to provide funds to recycle waste water to recreation grounds. Funded by the proceeds from the sale of water to users.

- | | |
|--|---|
| (d) Jetty | Established to provide funds for maintenance and capital works of the main jetty at the Foreshore Headland. Funded from general purpose income and donations. |
| (e) Aerodrome | Established to fund future development and upgrades of airport facility. Funded by the annual surplus derived from operations of the airport. |
| (f) Off Street Parking | Established to provide funds for the future development of central business car parking in order to make provisions for future business expansion of the CBD. Funded by general purpose income and contributions. |
| (g) Sanitation (Rubbish Removal) | Established to fund the purchase of major sanitation equipment and for the future development of waste disposal facilities. Funded from the annual surplus derived from property rubbish disposal collection fees after expenses. |
| (h) EHC Asset Replacement | Established for the purpose of Esperance Home Care to hold annual depreciation reserved and surplus cash for the replacement of HACC and other externally funded assets in accordance with HACC guidelines. |
| (i) Esperance Home Care Fundraising | Established for the purpose of holding the net proceeds of volunteer fundraising activities relating to the operation of Esperance Home Care. |
| (j) Unspent Grants and Contributions | Established for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties. |
| (k) Plant Replacement | Established to minimise and if possible eliminate any need to rely upon loan finance or unreasonable rate increases to finance the acquisition of major plant items as per Council Policy. Funding is from general purpose income. Amounts allocated will be re-assessed annually in response to revision of the five year plant replacement program and the associated forward cost estimates. |
| (l) Building Maintenance | Established to hold unexpended funds from the Building Maintenance Program for the use of building maintenance and refurbishment of Council buildings. |
| (m) Governance and Workers Compensation | Established for the purpose of future workers compensation insurance costs under the performance based contribution scheme; or cyclical gross rental valuation cost for rating purposes; or unforeseen legal costs. |
| (n) IT System and Process Development | Established to finance the acquisition and enhancement of information technology across the Shire. Ongoing appropriations from the Municipal Fund are provided as and when needed. |
| (o) Esperance Home Care Annual Leave | Established to fund future commitments for annual leave entitlements as a result of employing staff. Funded from external grant funding. |
| (p) Esperance Home Care Long Service Leave | Established to fund future commitments for long service leave entitlements as a result of employing staff. Funded from external grant funding. |
| (q) Priority Projects | Established to fund sufficient capacity to assist with the design, construction and operation of priority projects as determined by Council. |

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

28. 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 2023	Amounts Received	Amounts Paid	30 June 2024
	\$	\$	\$	\$
Contributions to Public Open Space	203,130	8,880	-	212,010
Other Deposits	1,679	-	-	1,679
General Bonds - Interest Bearing	63,487	464,483	(43,000)	484,970
	<u>268,296</u>	<u>473,363</u>	<u>(43,000)</u>	<u>698,659</u>



Auditor General

INDEPENDENT AUDITOR'S REPORT

2024

Shire of Esperance

To the Council of the Shire of Esperance

Opinion

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

- the Statement of Financial Position as at 30 June 2024, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2024 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 below.

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2024, but not the financial report and my auditor's report.

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

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

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

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

The CEO of the Shire is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Esperance for the year ended 30 June 2024 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Carly Meagher
Acting Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
31 October 2024

REFERENCE F23/457
DOCUMENT ID D24/30856
ENQUIRIES Roz Hamilton (08) 9071 0659
DATE 30 October 2024



Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer

**REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF ESPERANCE'S
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2024**

This representation letter is provided in connection with your audit of the Shire of Esperance's annual financial report for the year ended 30 June 2024 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2024 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. General

- (a) We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report.
- (d) The prior period comparative information in the financial report has not been restated.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.

- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with:
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
 - (i) management
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statementshave occurred to the knowledge of management of the Shire.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. Fair value measurements and disclosures

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each revalued physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions and data used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. Going concern

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. Contingent liabilities

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. Commitments for capital expenditure

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital expenditure contracts carrying over at year end.

6. Contaminated sites

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All provisions or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. Related entities

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to you if any of the Shire's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2024.

8. Related parties

We have disclosed to your auditors the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. Key management personnel compensation

We confirm the Shire's key management personnel have not received any other remuneration, consideration or in-kind benefit (except amounts being reimbursements for out-of-pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. Subsequent events

All events subsequent to the date of the financial report and up to the date of this letter for which Australian Accounting Standards require adjustment or disclosure, have been adjusted or disclosed.

11. Internal control

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. Risk management

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

14. Accounting misstatements

There are no uncorrected misstatements in the financial report.

15. Electronic presentation of the audited annual financial report and auditor's report

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

16. Other (unaudited) information in the annual report

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.



Felicity Baxter
Director Corporate & Community Services

30/10/24
Date



Shane Burge
Chief Executive Officer

30/10/24
Date

9. ELECTED MEMBERS

10. SHIRE OFFICERS

11. CLOSURE