



12 DECEMBER 2025

Shire of Esperance

16 DECEMBER 2025

SUPPLEMENTARY ITEMS

16. URGENT BUSINESS APPROVED BY DECISION

Item: 16.1

Audit Report 2024-25

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

File Ref: D25/36679

Applicant

Corporate and Community Services

Location/Address

Internal

Executive Summary

To present to Council the 2024-25 Annual Financial Report and Audit Report prepared by Carly Meagher from the Office of Auditor General (OAG).

Recommendation in Brief

That Council

1. Receive the 2024-25 Annual Financial Report including the Audit Report as attached as Attachment A.
2. Adopts the Annual Financial Report and Audit Report for the 2024-25 financial year.
3. Adopts the changes to the 2025-26 budget as a result of movements in actuals.

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 2025 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. Non-compliance with purchase order requirements

Our sample controls testing of purchase transactions noted 1 instance out of a total of 5 transactions tested where purchase order requirements as per the Shire's purchasing policy were not met. Specifically, a purchase order was not raised prior to incurring expenditure.

This finding was also raised in the 2024 financial year.

The subject of purchase orders has been raised at several meetings as a reminder that purchase orders should be raised before procurement. "Procure to Pay" system upgrades are also being implemented which should provide more efficient ways to raise orders in a timely manner and strengthen system controls.

Finance also continues to provide ongoing education around the procurement process.

2. Errors noted in accounting for employee benefits provision

Our testing of employee benefits provision relating to annual leave and long service leave has identified 2 instances out of 9 where errors occurred in accounting for the balances. In both cases, manual reallocation and recalculation adjustments were initially made to correct leave entitlements; however, subsequent automated system processes attempted to adjust these balances again, resulting in duplicate entries and overstated provisions.

Specifically, one employee's annual leave balance was overstated by 145 hours, and another employee's long service leave was overstated by 49 hours due to these compounded adjustments.

The finance team have contacted our finance system provider for solutions that are currently being implemented. Processes have been updated accordingly. Finance is also considering manual calculation sheets to check against final system figures which should help identify any potential errors.

Correction of prior period error in 2023-24 (AASB108)

On 30 June 2016, the Shire made the initial recognition of a make good provision for landfill relating to the Shire's waste facility, Wylie Bay. In 2024-25, the Shire carried out a full revaluation of the provision resulting in a material difference in value. During the revaluation it was discovered that the provision had historically been accounted for incorrectly. The shire is now restating prior periods to reflect the relevant accounting methodology for make good provisions.

As this error was made in a reporting period prior to the comparative period, the Statement of Financial Position balances as at 30 June 2023 were restated as follows:

- Landfill asset increased by a net amount \$4,487,070
- Accumulated depreciation on infrastructure increased by \$758,745
- Other Provisions decreased by \$1,385,959
- Retained Earnings increased by \$5,873,029

In addition, the statement of Financial Position was still understated as at 30 June 2024, so this error resulted in the restatement of the following line items for the year ended 30 June 2024. Infrastructure was increased by \$4,343,170 to record the full value of the landfill asset not previously recorded in the Shire's Statement of Financial Position. This increase to Infrastructure was as follows:

- Infrastructure – other by \$5,245,815
- Accumulated depreciation of infrastructure – other by \$902,645 (\$143,900 for 2024 and \$758,745 for 2023)
- Other provisions were decreased by \$1,484,187.
- Retained earnings were increased by \$5,827,537.
- Materials and contracts expense was decreased by \$242,657.
- Depreciation was increased by \$143,900.
- Net result for the period was decreased by \$45,672.

Changes to budget post Audit

The 2024-25 surplus closing position has changed from when the budget was adopted in August from \$2,795,133 to \$2,809,730 for the following reason.

Inventories

It was discovered that the issuance of approximately \$6k of inventories had been incorrectly dated into 2024-25.

Leases

Calculations for new leases were carried out late in the year end process and after statutory budget was approved.

The result of this movement was an increase to surplus in 2024-25 of \$14,597. As the funding for several projects were cut back as part of carry forwards, the additional surplus will be sent back to projects affected which will result in a net zero impact to closing surplus for the 2025-26 budget.

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

	Council Ref	Original	Amended
2024/25 Closing Surplus		\$2,795,133	\$2,809,730
Original Budgeted Movement		(\$2,839,570)	(\$2,839,570)
Esperance SAS Off-road ATV	O1125-049		(\$43,300)
DFES reimbursement	O1125-049		\$43,300
Disposal 2008 Polaris ATV	O1125-049		\$10,000
Transfer to Plant Reserve	O1125-049		(\$10,000)
BOILC AHU Replacement	O1125-050		(\$138,390)
Transfer from Building Maintenance Reserve	O1125-050		\$138,390
Increase in carry forwards budget	TBD		(\$14,597)
Budgeted 2025/26 Surplus/(Deficit)		(\$44,437)	(\$44,437)

The 2024-25 Annual Financial Report, Audit Report and Management Letter was presented to the Audit Committee on Tuesday 9 December 2025. The Audit Committee resolved to recommend that Council adopt the Annual Financial Report and Audit Report for 2024-25 and adopt the resultant changes to the closing surplus and 2025-26 budget.

Consultation

Moore Australia
Office of the Auditor General (OAG).

Financial Implications

Impact to closing surplus for 2024-25 as above with an overall net zero effect on the budgeted closing surplus for 2025-26 due to sending additional surplus back to budgeted carry forward projects.

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

- A1. Transmittal Letter to President - Shire of Esperance - 30 June 2025
- B1. Transmittal Letter to CEO - Shire of Esperance - 30 June 2025
- C1. Opinion - Shire of Esperance - 30 June 2025
- D1. Financial Statements - Shire of Esperance - 30 June 2025
- E1.

Officer's Recommendation

That Council:

1. **Receive the 2024-25 Annual Financial Report incorporating the Audit Report as attached at Attachment A.**
2. **Adopts Annual Financial Report and Audit Report for the 2024-25 financial year.**
3. **Adopt the changes to the 2025-26 budget as a result of movements in actuals.**

Voting Requirement

Absolute Majority



Our Ref: F21/59

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

Mr Ron Chambers
President
Shire of Esperance

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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

Email: ron.chambers@esperance.wa.gov.au

Dear Mr Chambers

SHIRE OF ESPERANCE
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2025

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

We have also forwarded the reports to the CEO and the Minister for Local Government, as required by the Act.

The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Management control issues

While the result of the audit was [generally] satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

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

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

Unresolved matters from prior audits

We also draw your attention to the Matters Outstanding from Prior Audits issues set out in the attachment. We would appreciate your attention to these matters before next year's audit.

The date the financial statements submitted by your entity and considered to be of audit ready quality is 5 September 2025. This date will be reported in our local government sector audit results report to be tabled in Parliament. I am providing this date for completeness of our Office's procedural fairness process.

If you have any queries in relation to this date, please contact me on 6557 7742 within 14 days of the date of this letter. If we do not hear from you, we will take this as confirmation of the date.

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

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

Yours sincerely



Jay Teichert
Director
Financial Audit
5 December 2025

Attach



Our Ref: F21/59

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

Mr Shane Burge
Chief Executive Officer
Shire of Esperance

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

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

Email: ceo@esperance.wa.gov.au

Dear Mr Burge

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2025

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

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

Management control issues

While the result of the audit was [generally] satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

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

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

Unresolved matters from prior audits

We also draw your attention to the Matters Outstanding from Prior Audits issues set out in the attachment. We would appreciate your attention to these matters before next year's audit.

The date the financial statements submitted by your entity and considered to be of audit ready quality is 5 September 2025. This date will be reported in our local government sector audit results report to be tabled in Parliament. I am providing this date for completeness of our Office's procedural fairness process.

If you have any queries in relation to this date, please contact me on 6557 7742 within 14 days of the date of this letter. If we do not hear from you, we will take this as confirmation of the date.

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

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

Yours sincerely



Jay Teichert
Director
Financial Audit
5 December 2025

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT 2025 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 2025, 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 2025 and its financial position at the end of that period
- is 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 2025, but not the financial report and my auditor's report.

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

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

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

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

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

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act, 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 2025 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
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
5 December 2025

SHIRE OF ESPERANCE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Statement of Financial Activity	7
Index of Notes to the Financial Report	8
Independent Auditor's Report	52

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

The Shire of Esperance exists to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

Esperance, together we make it happen.

Principal place of business:

Administration Offices
Windich Street
ESPERANCE WA 6450

**SHIRE OF ESPERANCE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

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 2025 and the financial position as at 30 June 2025.

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

Signed on the 4th day of December 2025



Chief Executive Officer
Shane Burge

SHIRE OF ESPERANCE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025

	NOTE	2025	2025	2024
		Actual	Budget	Restated* Actual
		\$	\$	\$
Revenue				
Rates	2(a),26	26,786,130	26,851,952	25,432,406
Grants, subsidies and contributions	2(a)	12,056,814	9,536,704	13,304,012
Fees and charges	2(a)	11,608,878	11,015,415	11,203,001
Interest revenue	2(a)	2,542,602	1,719,500	2,583,229
Other revenue	2(a)	2,554,364	984,091	982,800
		55,548,788	50,107,662	53,505,448
Expenses				
Employee costs	2(b)	(22,642,749)	(23,271,943)	(21,378,606)
Materials and contracts		(15,579,466)	(17,242,935)	(12,737,703)
Utility charges		(1,410,574)	(1,434,221)	(1,368,941)
Depreciation		(23,376,694)	(23,403,044)	(22,802,226)
Finance costs		(237,249)	(71,182)	(228,465)
Insurance		(790,478)	(988,511)	(887,856)
Other expenditure	2(b)	(768,321)	(786,355)	(1,326,971)
		(64,805,531)	(67,198,191)	(60,730,768)
		(9,256,743)	(17,090,529)	(7,225,320)
Capital grants, subsidies and contributions	2(a)	12,007,869	20,074,997	15,394,282
Profit on asset disposals		73,057	120,940	503,134
Loss on asset disposals		(467,580)	(51,039)	(24,539)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	(6,215)	-	-
		11,607,131	20,144,898	15,872,877
Net result for the period	25(b)	2,350,388	3,054,369	8,647,557
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	25,840,260	-	-
Total other comprehensive income for the period		25,840,260		
Total comprehensive income for the period		28,190,648	3,054,369	8,647,557

*Refer to note 31 for correction of prior year error

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

**SHIRE OF ESPERANCE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025**

NOTE	Actual 2025	Restated*	Restated*
		Actual 2024	Actual 2023
CURRENT ASSETS			
Cash and cash equivalents	3	47,273,666	48,988,393
Trade and other receivables	5	1,268,603	1,410,449
Other financial assets	4(a)	95,696	404,455
Inventories	6	958,802	1,346,117
Other assets	7	317,779	1,146,601
TOTAL CURRENT ASSETS		49,914,546	53,296,015
NON-CURRENT ASSETS			
Trade and other receivables	5	128,148	110,073
Other financial assets	4(b)	1,034,381	1,136,293
Inventories	6	3,859,610	3,305,969
Property, plant and equipment	8	133,445,206	103,613,524
Infrastructure	9	600,823,099	599,744,237
Right-of-use assets	11(a)	183,082	88,110
TOTAL NON-CURRENT ASSETS		739,473,526	707,998,206
TOTAL ASSETS		789,388,072	761,294,221
CURRENT LIABILITIES			
Trade and other payables	12	2,925,803	3,154,396
Contract liabilities	13	2,971,014	2,612,488
Lease liabilities	11(b)	43,013	10,186
Borrowings	14	155,635	461,774
Employee related provisions	15	3,750,936	3,784,029
TOTAL CURRENT LIABILITIES		9,846,401	10,022,873
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	140,084	78,934
Borrowings	14	1,398,766	1,554,401
Employee related provisions	15	438,545	411,208
Other provisions	16	4,885,862	4,739,039
TOTAL NON-CURRENT LIABILITIES		6,863,257	7,002,211
TOTAL LIABILITIES		16,709,658	16,806,455
NET ASSETS		772,678,414	744,487,766
EQUITY			
Retained surplus		331,480,201	327,567,285
Reserve accounts	29	38,577,357	40,139,885
Revaluation surplus	17	402,620,856	376,780,596
TOTAL EQUITY		772,678,414	744,487,766
<u>735,840,209</u>			

*Refer to note 31 for correction of prior year error

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 2025

	NOTE	RETAINED SURPLUS	RESERVE ACCOUNTS	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 30 June 2023		314,079,314	39,107,270	376,780,596	729,967,180
Correction of error		5,873,029	-	-	5,873,029
Restated* Balance as at 01 July 2023		319,952,343	39,107,270	376,780,596	735,840,209
Comprehensive income for the period					
Net result for the period		8,647,557	-	-	8,647,557
Total comprehensive income for the period		8,647,557	-	-	8,647,557
Transfers from reserve accounts	29	12,145,169	(12,145,169)	-	-
Transfers to reserve accounts	29	(13,177,784)	13,177,784	-	-
Restated* Balance as at 30 June 2024		327,567,285	40,139,885	376,780,596	744,487,766
Comprehensive income for the period					
Net result for the period		2,350,388	-	-	2,350,388
Other comprehensive income for the period	17	-	-	25,840,260	25,840,260
Total comprehensive income for the period		2,350,388	-	25,840,260	28,190,648
Transfers from reserve accounts	29	12,548,535	(12,548,535)	-	-
Transfers to reserve accounts	29	(10,986,007)	10,986,007	-	-
Balance as at 30 June 2025		331,480,201	38,577,357	402,620,856	772,678,414

*Refer to note 31 for correction of prior year error

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 2025**

	NOTE	2025 Actual	2024 Actual
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		26,738,292	25,126,236
Grants, subsidies and contributions		12,439,567	12,483,178
Fees and charges		11,724,065	11,528,401
Interest revenue		2,542,602	2,583,229
Goods and services tax received		3,861,837	3,683,641
Other revenue		2,554,364	1,222,155
		<u>59,860,727</u>	<u>56,626,840</u>
Payments			
Employee costs		(22,554,787)	(21,276,132)
Materials and contracts		(14,849,616)	(11,910,443)
Utility charges		(1,410,574)	(1,368,941)
Finance costs		(237,249)	(84,036)
Insurance paid		(790,478)	(887,856)
Goods and services tax paid		(3,932,226)	(3,932,226)
Other expenditure		(645,522)	(998,806)
		<u>(44,420,452)</u>	<u>(40,458,440)</u>
Net cash provided by operating activities	18(b)	15,440,275	16,168,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for land held for sale		(42,512)	(475,225)
Payments for purchase of property, plant & equipment	8(a)	(8,261,021)	(4,351,193)
Payments for construction of infrastructure	9(a)	(21,455,491)	(26,254,987)
Proceeds from capital grants, subsidies and contributions		12,007,869	15,394,282
Proceeds for financial assets at amortised cost		-	4,000,000
Proceeds from financial assets at amortised cost - self supporting loans		404,456	190,736
Proceeds for land held for sale		265,181	341,479
Proceeds from financial assets at fair values through profit and loss		-	(2,942)
Proceeds from sale of property, plant & equipment		420,851	994,974
Net cash (used in) investing activities		(16,660,667)	(10,162,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	28(a)	(461,774)	(245,549)
Payments for principal portion of lease liabilities	28(c)	(32,561)	(18,971)
Net cash (used in) financing activities		(494,335)	(264,520)
Net increase (decrease) in cash held		(1,714,727)	5,741,004
Cash at beginning of year		48,988,393	43,247,389
Cash and cash equivalents at the end of the year	18(a)	47,273,666	48,988,393

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 2025

	NOTE	2025	2025	2024
		Actual	Budget	Restated*
		\$	\$	\$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	26	26,359,241	23,802,914	24,891,959
Rates excluding general rates	26	426,889	3,039,038	540,447
Grants, subsidies and contributions		12,056,814	9,536,704	13,304,012
Fees and charges		11,608,878	11,015,415	11,203,001
Interest revenue		2,542,602	1,719,500	2,583,229
Other revenue		2,554,364	984,091	982,800
Profit on asset disposals		73,057	120,940	503,134
		55,621,845	50,218,602	54,008,582
Expenditure from operating activities				
Employee costs		(22,642,749)	(23,271,943)	(21,378,606)
Materials and contracts		(15,579,466)	(17,242,935)	(12,737,703)
Utility charges		(1,410,574)	(1,434,221)	(1,368,941)
Depreciation		(23,376,694)	(23,403,044)	(22,802,226)
Finance costs		(237,249)	(71,182)	(228,465)
Insurance		(790,478)	(988,511)	(887,856)
Other expenditure		(768,321)	(786,355)	(1,326,971)
Loss on asset disposals		(467,580)	(51,039)	(24,539)
		(65,273,111)	(67,249,230)	(60,755,307)
Non cash amounts excluded from operating activities	27(a)	23,839,776	22,146,383	22,424,326
Amount attributable to operating activities		14,188,510	5,115,755	15,677,601
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		12,007,869	20,074,997	15,394,282
Proceeds from disposal of assets		686,032	1,290,500	1,336,453
Proceeds from financial assets at amortised cost - self supporting loans	28(a)	404,456	404,456	190,736
Proceeds from financial assets at fair value through profit and loss - Local Government House Trust		(6,215)	(5,000)	(2,942)
Proceeds on other loans		-	-	-
		13,092,142	21,764,953	16,918,529
Outflows from investing activities				
Right of use assets received - non cash	11(a)	(126,538)	-	(99,307)
Acquisition of property, plant and equipment	8(a)	(8,261,021)	(1,230,000)	(4,351,193)
Acquisition of infrastructure	9(a)	(21,455,491)	(23,705,822)	(26,254,987)
Payments for land held for sale		(42,512)	(23,145,666)	(548,167)
		(29,885,562)	(48,081,488)	(31,253,654)
Non-cash amounts excluded from investing activities	27(b)	126,538	1,500,000	99,307
Amount attributable to investing activities		(16,666,882)	(24,816,535)	(14,235,818)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	28(a)	-	2,434,907	-
Proceeds from new leases - non cash	28(c)	126,538	-	99,307
Transfers from reserve accounts	29	12,548,535	19,311,950	12,145,169
		12,675,073	21,746,857	12,244,476
Outflows from financing activities				
Repayment of borrowings	28(a)	(461,774)	(461,775)	(245,549)
Payments for principal portion of lease liabilities	28(c)	(32,561)	(18,588)	(18,971)
Transfers to reserve accounts	29	(10,986,007)	(4,831,398)	(13,177,784)
		(11,480,342)	(5,311,761)	(13,442,304)
Non-cash amounts excluded from financing activities	27(c)	(126,538)	-	(99,307)
Amount attributable to financing activities		1,068,193	16,435,096	(1,297,135)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	27(d)	4,219,909	3,221,226	4,075,261
Amount attributable to operating activities		14,188,510	5,115,755	15,677,601
Amount attributable to investing activities		(16,666,882)	(24,816,535)	(14,235,818)
Amount attributable to financing activities		1,068,193	16,435,096	(1,297,135)
Surplus or deficit after imposition of general rates	27(d)	2,809,730	(44,458)	4,219,909

*Refer to note 31 for correction of prior year error
This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF ESPERANCE
FOR THE YEAR ENDED 30 JUNE 2025
INDEX OF NOTES TO THE FINANCIAL REPORT**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	13
Note 5	Trade and Other Receivables	14
Note 6	Inventories	15
Note 7	Other Assets	16
Note 8	Property, Plant & Equipment	17
Note 9	Infrastructure	19
Note 10	Fixed Assets	21
Note 11	Leases	23
Note 12	Trade and Other Payables	25
Note 13	Other Liabilities	26
Note 14	Borrowings	27
Note 15	Employee Related Provisions	28
Note 16	Other Provisions	29
Note 17	Revaluation Surplus	30
Note 18	Notes to the Statement of Cash Flows	31
Note 19	Contingent Liabilities	32
Note 20	Capital Commitments	32
Note 21	Related Party Transactions	33
Note 22	Financial Risk Management	35
Note 23	Events Occurring After the End of the Reporting Period	39
Note 24	Other Material Accounting Policies	40
Note 25	Function and Activity	41
Note 26	Rating Information	43
Note 27	Determination of Surplus or Deficit	44
Note 28	Borrowings and Lease Liabilities	45
Note 29	Reserve Accounts	47
Note 30	Trust Funds	49
Note 31	Correction of Prior Period Error	50

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

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.

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.

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.

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
- Assets held for sale - Note 7
- 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 24

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 30 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 2020-1 Amendments to Australian Accounting Standards
 - Classification of Liabilities as Current or Non-current
- AASB 2022-5 Amendments to Australian Accounting Standards
 - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards
 - Non-current Liabilities with Covenants
- AASB 2023-3 Amendments to Australian Accounting Standards
 - Disclosure of Non-current Liabilities with Covenants: Tier 2
- AASB 2024-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements: Tier 2 Disclosures
- AASB 2023-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements

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 certain non-financial assets on revaluation. The impact has not been quantified as it is not considered practicable to determine the amount of the difference in fair value attributable to the change in the standard.

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 2024-4b Amendments to Australian Accounting Standards
 - Effective Date of Amendments to AASB 10 and AASB 128 [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-9 Amendments to Australian Accounting Standards
 - Insurance Contracts in the Public Sector
- AASB 2023-5 Amendments to Australian Accounting Standards
 - Lack of Exchangeability
- AASB 18 (FP) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for for-profit entities]
- AASB 18 (NFP/super) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for not-for-profit and superannuation entities]
- AASB 2024-2 Amendments to Australian Accounting Standards
 - Classification and Measurement of Financial Instruments
- AASB 2024-3 Amendments to Australian Accounting Standards
 - Annual Improvements Volume 11

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

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

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

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.

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 2025		Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
Nature		\$	\$	\$	\$	\$
Rates	-	-	-	26,786,129	1	26,786,130
Grants, subsidies and contributions	12,056,814	-	-	-	-	12,056,814
Fees and charges	11,015,743	-	-	593,135	-	11,608,878
Interest revenue	53,095	-	-	120,088	2,369,419	2,542,602
Other revenue	2,554,364	-	-	-	-	2,554,364
Capital grants, subsidies and contributions	-	12,007,869	-	-	-	12,007,869
Total	25,680,016	12,007,869	27,499,352	2,369,420	67,556,657	

For the year ended 30 June 2024		Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
Nature		\$	\$	\$	\$	\$
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	

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

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

	Note	2025 Actual	2024 Actual
		\$	\$
Financial assets at amortised cost - self supporting loans		49,300	55,658
Interest on reserve account		1,588,485	1,428,847
Trade and other receivables overdue interest		135,028	103,442
Other interest revenue		769,789	995,282
		2,542,602	2,583,229

Fees and charges relating to rates receivable

Charges on instalment plan		79,074	65,972
----------------------------	--	--------	--------

The 2025 original budget estimate in relation to:

Charges on instalment plan was \$83,000.

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report		76,000	62,110
- Other services – grant acquittals		8,935	4,160
		84,935	66,270

Employee Costs

Employee benefit costs		18,802,652	17,627,468
Other employee costs		3,840,097	3,751,138
		22,642,749	21,378,606

Finance costs

Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss		231,085	230,937
Lease liabilities		6,164	(2,472)
		237,249	228,465

Other expenditure

Impairment losses on rates and statutory receivables		849	
Impairment losses on trade receivables		122,800	325,400
Sundry expenses		644,672	1,001,571
		768,321	1,326,971

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

3. CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Term deposits
Total cash and cash equivalents

Held as
- Unrestricted cash and cash equivalents
- Restricted cash and cash equivalents

Note	2025	2024
	\$	\$
	21,273,666	37,988,393
	26,000,000	11,000,000
18(a)	47,273,666	48,988,393
	5,725,295	6,236,020
18(a)	41,548,371	42,752,373
	47,273,666	48,988,393

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 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.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

4. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

Note	2025	2024
	\$	\$
	95,696	404,455
	95,696	404,455
Other financial assets at amortised cost		
Self supporting loans receivable	27(d)	
	95,696	404,455
	95,696	404,455
Held as		
- Unrestricted other financial assets at amortised cost		
	95,696	404,455
	95,696	404,455

(b) Non-current assets

Financial assets at amortised cost

Financial assets at fair value through profit or loss

Financial assets at amortised cost

Self supporting loans receivable

Term deposits

Financial assets at fair value through profit or loss

Units in Local Government House Trust - opening balance

Movement attributable to fair value (decrement)/increment

Units in Local Government House Trust - closing balance

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 24 (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 22.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

5. TRADE AND OTHER RECEIVABLES

Current

	Note	2025	2024
		\$	\$
Rates and statutory receivables		278,144	228,165
Trade receivables		1,010,535	1,157,562
GST receivable		420,511	350,122
Allowance for credit losses of trade receivables	22(b)	(440,587)	(325,400)
		1,268,603	1,410,449
Non-current			
Rates and statutory receivables		128,148	110,073
		128,148	110,073

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 2025 Actual	30 June 2024 Actual	1 July 2023 Actual
		\$	\$	\$
Trade and other receivables from contracts with customers		1,010,535	1,157,562	1,428,082
Contract assets	7	169,983	998,683	1,226,375
Allowance for credit losses of trade receivables	5	(440,587)	(325,400)	-
Total trade and other receivables from contracts with customers		739,931	1,830,845	2,654,457

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 22.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

6. INVENTORIES

	Note	2025	2024
		\$	\$
Current			
Fuel and materials		49,389	38,527
Road making materials		261,174	399,263
Visitor Centre Stock		132,608	108,327
Land held for resale			
Cost of acquisition		515,631	800,000
		958,802	1,346,117
Non-current			
Land held for resale			
Cost of acquisition		3,859,610	3,305,969
		3,859,610	3,305,969
The following movements in inventories occurred during the year:			
Balance at beginning of year		4,652,086	4,440,230
Inventories expensed during the year		(2,094,731)	(2,073,426)
Additions to inventory		2,261,057	2,285,282
Balance at end of year		4,818,412	4,652,086

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 2025

7. OTHER ASSETS

	2025	2024
	\$	\$
Other assets - current		
Accrued income	26,148	25,500
Contract assets	169,983	998,683
Interest Receivable	103,541	108,152
Infringements	18,107	14,266
	317,779	1,146,601

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 2025

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	Land	Buildings	Work in progress	Total Property	Furniture and equipment	Plant and equipment	Motor Vehicles	Roadmaking Plant	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance at 1 July 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
Additions	-	707,622	-	707,622	4,201,582	4,909,204	278,389	213,936	763,493	2,095,999	8,261,021
Disposals	-	(352,907)	-	(352,907)	-	(352,907)	-	-	(247,292)	(217,601)	(817,800)
Revaluation increments / (decrements) transferred to revaluation surplus	3,079,694	22,760,566	3,079,694	22,760,566	-	25,840,260	-	-	-	-	25,840,260
Assets classified as held for sale	(483,300)	-	(483,300)	-	-	(483,300)	-	-	-	-	(483,300)
Depreciation	-	(2,399,729)	-	(2,399,729)	-	(2,399,729)	(149,305)	(610,759)	(463,214)	(1,472,965)	(5,095,972)
Transfers	-	1,536,667	-	1,536,667	590,806	2,127,473	-	-	-	-	2,127,473
Balance at 30 June 2025	29,848,700	79,149,853	29,848,700	79,149,853	4,792,388	113,790,941	795,185	5,194,163	3,187,241	10,477,676	133,445,206
Comprises:											
Gross balance amount at 30 June 2025	29,848,700	146,181,694	29,848,700	146,181,694	4,792,388	180,822,782	1,982,652	12,131,843	5,930,131	17,358,223	218,225,631
Accumulated depreciation at 30 June 2025	-	(67,031,841)	-	(67,031,841)	-	(67,031,841)	(1,187,467)	(6,937,680)	(2,742,890)	(6,880,547)	(84,780,425)
Balance at 30 June 2025	29,848,700	79,149,853	29,848,700	79,149,853	4,792,388	113,790,941	795,185	5,194,163	3,187,241	10,477,676	133,445,206

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Amount Measurements

Asset Class		Carrying amount 2025	Carrying amount 2024	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 - Market Value	8(a)	29,848,700	27,252,306	2	Market approach using recent observable market data for similar properties/income approach using discounted cashflow methodology	Independent registered valuer	June 2025	Price per hectare / market borrowing rate
Total Land		29,848,700	27,252,306					
Buildings - Non Specialised	8(a)	79,149,853	56,897,634	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2025	Construction costs and current condition (level 2), residual values and remaining useful life assessments (level 3) inputs
Total Buildings		79,149,853	56,897,634					

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

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

(ii) Cost				
Furniture and equipment		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 2025

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 as 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
Correction of Error	-	-	-	-	4,487,070	-	-	-	4,487,070
Restated* Balance at 1 July 2023	474,508,387	19,091,095	27,829,402	15,527,815	32,724,300	1,816,039	12,450,978	8,478,709	592,426,725
Additions	21,998,177	207,565	62,407	128,656	261,958	3,596,224	-	-	26,254,987
Depreciation (Restated)*	(13,600,879)	(846,237)	(304,507)	(1,537,008)	(1,038,556)	-	(184,815)	(382,441)	(17,894,443)
Transfers	-	-	-	49,059	16,397	(1,108,488)	-	-	(1,043,032)
Restated* Balance at 30 June 2024	482,905,685	18,452,423	27,587,302	14,168,522	31,964,099	4,303,775	12,266,163	8,096,268	599,744,237
Comprises:									
Gross balance at 30 June 2024	595,724,037	27,435,244	32,097,944	26,841,024	39,131,543	4,303,775	18,738,982	11,365,411	755,637,960
Accumulated depreciation at 30 June 2024	(112,818,352)	(8,982,821)	(4,510,642)	(12,672,502)	(7,167,444)	-	(6,472,819)	(3,269,143)	(155,893,723)
Restated* Balance at 30 June 2024	482,905,685	18,452,423	27,587,302	14,168,522	31,964,099	4,303,775	12,266,163	8,096,268	599,744,237
Additions	19,531,290	299,182	59,526	42,059	-	1,523,434	-	-	21,455,491
Depreciation	(14,125,216)	(817,926)	(301,688)	(1,423,951)	(1,013,120)	-	(184,815)	(382,440)	(18,249,156)
Transfers	-	-	-	147,730	15,692	(2,290,895)	-	-	(2,127,473)
Balance at 30 June 2025	488,311,759	17,933,679	27,345,140	12,934,360	30,966,671	3,536,314	12,081,348	7,713,828	600,823,099
Comprises:									
Gross balance at 30 June 2025	615,255,327	27,734,426	32,157,469	27,030,813	39,147,235	3,536,314	18,738,982	11,365,411	774,965,977
Accumulated depreciation at 30 June 2025	(126,943,568)	(9,800,747)	(4,812,329)	(14,096,453)	(8,180,564)	-	(6,657,634)	(3,651,583)	(174,142,878)
Balance at 30 June 2025	488,311,759	17,933,679	27,345,140	12,934,360	30,966,671	3,536,314	12,081,348	7,713,828	600,823,099

*Refer to note 31 for correction of prior year error

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

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 2025

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 100 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.

	2025	2024
	\$	\$
Buildings	-	83,000
Furniture and equipment	260,136	212,836
Plant and equipment	288,688	159,134
Motor vehicles	1,996,072	928,172
Road making plant	870,500	713,500
	3,415,396	2,096,642

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

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; or
- (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) Regulation 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 2025

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.

Balance at 1 July 2023

Additions *

Depreciation

Balance at 30 June 2024

Gross balance amount at 30 June 2024

Accumulated depreciation at 30 June 2024

Balance at 30 June 2024

Additions *

Depreciation

Balance at 30 June 2025

Gross balance amount at 30 June 2025

Accumulated depreciation at 30 June 2025

Balance at 30 June 2025

Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
	\$	\$
	8,663	8,663
Additions *	99,307	99,307
Depreciation	(19,860)	(19,860)
Balance at 30 June 2024	88,110	88,110
	99,307	99,307
Accumulated depreciation at 30 June 2024	(11,197)	(11,197)
Balance at 30 June 2024	88,110	88,110
	126,538	126,538
Additions *	(31,566)	(31,566)
Depreciation		
Balance at 30 June 2025	183,082	183,082
	225,845	225,845
Gross balance amount at 30 June 2025	(42,763)	(42,763)
Balance at 30 June 2025	183,082	183,082

*Right of use asset additions are non-cash Additions. Refer note 18.(c)

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

Depreciation on right-of-use assets

28(c)

2025 Actual	2024 Actual
\$	\$

Finance charge on lease liabilities

28(c)

(31,566)

(19,860)

Total amount recognised in the statement of comprehensive income

(6,145)

(2,472)

(37,711)

(22,332)

Total cash outflow from leases

(38,706)

(21,443)

(b) Lease Liabilities

Current

43,013

10,186

Non-current

140,084

78,934

28(c)

183,097

89,120

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 28(c).

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 accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

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

	2025 Actual	2024 Actual
	\$	\$
Less than 1 year	150,000	150,000
1 to 2 years	300,000	300,000
2 to 3 years	300,000	300,000
3 to 4 years	300,000	300,000
4 to 5 years	300,000	300,000
> 5 years	2,612,500	2,762,500
	3,962,500	4,112,500

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 2025

12. TRADE AND OTHER PAYABLES

Current

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

2025	2024
\$	\$
1,617,189	2,025,697
25,075	4,859
849,969	756,251
423,942	356,906
9,628	10,683
2,925,803	3,154,396

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 2025

13. OTHER LIABILITIES

	2025	2024
	\$	\$
Current		
Contract liabilities	2,971,014	2,612,488
	2,971,014	2,612,488
Reconciliation of changes in contract liabilities		
Opening balance	2,612,488	3,378,442
Additions	2,971,014	2,612,488
Revenue from contracts with customers included as a contract liability at the start of the period	(2,612,488)	(3,378,442)
	2,971,014	2,612,488

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$2,971,014 (2024: \$2,612,488)

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

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

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 2025

14. BORROWINGS

	Note	2025			2024		
		Current	Non-current	Total	Current	Non-current	Total
Unsecured		\$	\$	\$	\$	\$	\$
Other loans		155,635	1,398,766	1,554,401	461,774	1,554,401	2,016,175
Total unsecured borrowings	28(a)	155,635	1,398,766	1,554,401	461,774	1,554,401	2,016,175

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Esperance. Other loans relate to transferred receivables. Refer to Note 5.

The Shire of Esperance has complied with the financial covenants of its borrowing facilities during the 2025 and 2024 years.

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 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Information regarding exposure to risk can be found at Note 22.

Details of individual borrowings required by regulations are provided at Note 28(a).

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2025	2024
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	2,293,327	2,267,170
Long service leave	1,457,609	1,516,859
	3,750,936	3,784,029
Total current employee related provisions	3,750,936	3,784,029
Non-current provisions		
Employee benefit provisions		
Long service leave	438,545	411,208
	438,545	411,208
Total non-current employee related provisions	438,545	411,208
Total employee related provisions	4,189,481	4,195,237

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:

Amounts are expected to be settled on the following basis:	Note	2025	2024
		\$	\$
Less than 12 months after the reporting date		1,653,784	1,399,430
More than 12 months from reporting date		2,535,697	2,795,807
		4,189,481	4,195,237

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 2025**

16. OTHER PROVISIONS

	Make good provisions	Total
	\$	\$
Restated* Opening balance at 1 July 2024		
Restated* non-current provisions	4,739,039	4,739,039
	4,739,039	4,739,039
Additional provision	146,823	146,823
Balance at 30 June 2025	4,885,862	4,885,862
Comprises		
Non-current	4,885,862	4,885,862
	4,885,862	4,885,862

*Refer to note 31 for correction of prior year error

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 2025

17. REVALUATION SURPLUS

	2025 Opening Balance	Total Movement on Revaluation	2025 Closing Balance	2024 Opening Balance	Total Movement on Revaluation	2024 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	37,565,324	25,840,260	63,405,584	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	264,678,825	-	264,678,825
Revaluation surplus - Infrastructure - footpaths	12,602,185	-	12,602,185	12,602,185	-	12,602,185
Revaluation surplus - Infrastructure - drainage	22,057,698	-	22,057,698	22,057,698	-	22,057,698
Revaluation surplus - Infrastructure - parks and ovals	9,660,606	-	9,660,606	9,660,606	-	9,660,606
Revaluation surplus - Infrastructure - other	8,343,371	-	8,343,371	8,343,371	-	8,343,371
Revaluation surplus - Other infrastructure - Pipes & Culverts	13,119,034	-	13,119,034	13,119,034	-	13,119,034
Revaluation surplus - Other infrastructure - Airport	5,896,073	-	5,896,073	5,896,073	-	5,896,073
	376,780,596	25,840,260	402,620,856	376,780,596	-	376,780,596

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

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	2025 Actual \$	2024 Actual \$
Cash and cash equivalents	3	47,273,666	48,988,393
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	41,548,371	42,752,373
		41,548,371	42,752,373
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	29	38,577,357	40,139,885
Contract liabilities	13	2,971,014	2,612,488
Total restricted financial assets		41,548,371	42,752,373
(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities			
Net result		2,350,388	8,647,557
Non-cash items:			
Depreciation/amortisation		23,376,694	22,802,226
(Profit)/loss on sale of asset		394,523	(478,595)
Impairment of plant and equipment			2,765
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		123,771	178,817
(Increase)/decrease in other assets		483,422	43,845
(Increase)/decrease in inventories		(380,354)	5,253
(Increase)/decrease in contract assets		828,700	227,693
Increase/(decrease) in trade and other payables		(228,593)	684,083
Increase/(decrease) in employee related provisions		(5,756)	73,865
Increase/(decrease) in other provisions		146,823	141,127
Increase/(decrease) in other liabilities		358,526	(765,954)
Capital grants, subsidies and contributions		(12,007,869)	(15,394,282)
Net cash provided by/(used in) operating activities		15,440,275	16,168,400
(c) Non-cash investing and financing activities			
Acquisition of right of use assets by means of lease	11(a)	126,538	99,307
(d) 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		(8,083)	(7,071)
Total amount of credit unused		271,917	272,929
Loan facilities			
Loan facilities - current		155,635	461,774
Loan facilities - non-current		1,398,766	1,554,401
Total facilities in use at balance date		1,554,401	2,016,175
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 2025

19. CONTINGENT LIABILITIES

The Shire of Esperance is unaware of any contingent liabilities to disclose at the current reporting date.

20. CAPITAL COMMITMENTS

	2025	2024
	\$	\$
Contracted for:		
- capital expenditure projects	8,649,532	3,237,082
- plant & equipment purchases	497,475	528,310
	9,147,007	3,765,392
Payable:		
- not later than one year	9,147,007	3,765,392

The capital expenditure projects outstanding at the end of the current reporting period includes but is not limited to the remaining construction of the Graham Mackenzie Stadium, Condongup Bushfire Brigade Shed and completion of four residential units on Voile Lane.

The prior year commitment was largely attributable to the upgrade of the Home Care Day Centre as well as fleet replacements in progress.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

21. RELATED PARTY TRANSACTIONS

(a) Council Member Remuneration

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

President's annual allowance	42,596	35,880	35,880
President's meeting attendance fees	24,200	22,880	22,880
President's annual allowance for ICT expenses	1,644	1,560	1,560
	68,440	60,320	60,320
Deputy President's annual allowance	10,649	8,970	8,970
Deputy President's meeting attendance fees	19,788	18,720	18,720
Deputy President's annual allowance for ICT expenses	1,644	1,560	1,560
	32,081	29,250	29,250
All other council member's meeting attendance fees	138,513	131,040	131,040
All other council member's annual allowance for ICT expenses	11,511	10,920	10,920
	150,024	141,960	141,960
	21(b)	250,545	231,530
			231,530

Note	2025 Actual	2025 Budget	2024 Actual
	\$	\$	\$
President's annual allowance	42,596	35,880	35,880
President's meeting attendance fees	24,200	22,880	22,880
President's annual allowance for ICT expenses	1,644	1,560	1,560
	68,440	60,320	60,320
Deputy President's annual allowance	10,649	8,970	8,970
Deputy President's meeting attendance fees	19,788	18,720	18,720
Deputy President's annual allowance for ICT expenses	1,644	1,560	1,560
	32,081	29,250	29,250
All other council member's meeting attendance fees	138,513	131,040	131,040
All other council member's annual allowance for ICT expenses	11,511	10,920	10,920
	150,024	141,960	141,960
	21(b)	250,545	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	862,636	891,207
Post-employment benefits	117,340	104,804
Employee - other long-term benefits	36,603	7,635
Council member costs	21(a) 250,545	231,530
	1,267,124	1,235,176

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 2025

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

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

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

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

	2025 Actual	2024 Actual
	\$	\$
Purchase of goods and services	299,931	268,352
Short term employee benefits - other related parties	214,115	160,008
Amounts outstanding from related parties:		
Trade and other receivables	2,109	815

(d) 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.

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 2025

22. 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 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
	%	\$	\$	\$	\$
2025					
Cash and cash equivalents	3.70%	47,273,666	26,000,000	21,265,416	8,250
Financial assets at amortised cost - term deposits	0.00%	-	-	-	-
Financial assets at amortised cost - Treasury bonds					
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					

Sensitivity

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

	2025	2024
	\$	\$
Impact of a 1% movement in interest rates on profit or loss and equity*	212,654	379,884

* 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 28(a).

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

22. 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 2024 or 1 July 2025 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 2025 and 30 June 2024 was determined as follows for trade and other receivables.

	Current	More than 30	More than 60	More than 90	Total
		days past due	days past due	days past due	
30 June 2025					
Trade receivables					
Expected credit loss	0.00%	0.00%	0.00%	98.84%	
Gross carrying amount	468,405	95,573	786	445,771	1,010,535
Loss allowance	-	-	-	440,587	440,587
Rates receivables	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	225,809	37,078	9,167	6,090	278,144
Loss allowance	-	-	-	-	-
30 June 2024					
Trade receivables	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
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	216,930	108,471	-	-	325,401
Rates receivables	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
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	-	-	-	-	-

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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	
	2025 Actual	2024 Actual	2025 Actual	2024 Actual	2025 Actual	2024 Actual
Opening loss allowance as at 1 July	\$ 325,400	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in loss allowance recognised in profit or loss during the year	115,187	325,400	-	-	-	-
Receivables written off during the year as uncollectible	7,613	-	849	175	-	-
Unused amount reversed	(7,613)	-	(849)	(175)	-	-
Closing loss allowance at 30 June	440,587	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 2025

22. 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(d).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying 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
	\$	\$	\$	\$	\$
2025					
Trade and other payables	2,925,803	-	-	2,925,803	2,925,803
Borrowings	155,635	845,403	553,363	1,554,401	1,554,401
Lease liabilities	43,056	127,878	11,218	182,152	183,097
	3,124,494	973,281	564,581	4,662,356	4,663,301
2024					
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
	3,638,462	909,080	721,856	5,269,398	5,259,691

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the end of the reporting period to disclose.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

24. 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 2025

25. 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
Governance To provide a decision making process for the efficient allocation of scarce resources.	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.
General purpose funding To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
Law, order, public safety To provide services to help ensure a safer and environmentally conscious community.	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.
Health To provide an operational framework for good community health.	Inspection of food outlets and their control as well as provision of meat inspection services, noise control and waste disposal compliance.
Education and welfare To provide services to disadvantaged persons, the elderly, children and youth.	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.
Community amenities To provide services required by the community.	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.
Recreation and culture To establish and effectively manage infrastructure and resources which will help the social well being of the community.	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.
Transport To provide safe, effective and efficient transport services to the community.	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.
Economic services To help promote the Shire and its economic well being.	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.
Other property and services To monitor and control Council's overheads and operating accounts.	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 2025

25. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses	2025 Actual	Restated* 2024 Actual
	\$	\$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	250,834	471,690
General purpose funding	29,289,412	27,970,274
Law, order, public safety	120,820	100,255
Health	112,800	71,595
Education and welfare	780,670	681,990
Community amenities	5,705,394	5,632,763
Recreation and culture	3,954,955	2,546,159
Transport	2,163,507	1,958,332
Economic services	693,053	648,846
Other property and services	493,586	622,666
	43,565,031	40,704,570
Grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	191,893	81,219
General purpose funding	5,268,888	7,202,385
Law, order, public safety	904,906	847,705
Health	10,965	1,724
Education and welfare	4,836,866	4,720,341
Community amenities	371,493	321,904
Recreation and culture	2,259,823	1,604,774
Transport	9,640,755	13,586,474
Economic services	391,256	72,768
Other property and services	187,838	259,000
	24,064,683	28,698,294
Total Income	67,629,714	69,402,864
Expenses		
Governance	(2,883,534)	(2,468,711)
General purpose funding	(418,398)	(610,204)
Law, order, public safety	(2,986,137)	(2,716,926)
Health	(534,092)	(475,493)
Education and welfare	(5,477,931)	(5,452,415)
Community amenities	(6,484,829)	(6,259,119)
Recreation and culture	(17,655,491)	(15,481,998)
Transport	(25,101,371)	(23,624,788)
Economic services	(2,421,204)	(2,144,727)
Other property and services	(1,316,339)	(1,520,926)
Total expenses	(65,279,326)	(60,755,307)
Net result for the period	2,350,388	8,647,557
*Refer to note 31 for correction of prior year error		
(c) Total Assets		
Governance	4,701,096	7,191,487
General purpose funding	37,265,894	31,892,370
Law, order, public safety	9,462,230	7,887,566
Health	39,005	0
Education and welfare	10,453,335	8,283,424
Community amenities	25,476,745	22,809,928
Recreation and culture	90,269,862	79,941,186
Transport	580,469,015	573,863,198
Economic services	518,143	235,415
Other property and services	11,637,640	8,494,608
Unallocated	19,095,107	20,695,039
	789,388,072	761,294,221

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

26. RATING INFORMATION

(a) General Rates

RATE TYPE		Number of Properties	2024/25 Actual Rateable Value*	2024/25 Actual Rate Revenue	2024/25 Actual Interim Rates	2024/25 Actual Total Revenue	2024/25 Budget Rate Revenue	2024/25 Budget Interim Rate	2024/25 Budget Total Revenue	2023/24 Actual Total Revenue
GRV Residential	Gross rental valuation	4,399	96,148,943	9,093,382	44,682	9,138,064	9,107,421	35,000	9,142,421	7,741,496
GRV - Commercial/Industrial	Gross rental valuation	416	32,399,695	3,064,234	(32,864)	3,031,370	3,064,234	-	3,064,234	3,249,134
GRV - Vacant	Gross rental valuation	77	1,959,756	185,346	2,654	188,000	251,172	-	251,172	175,417
UV - Rural	Unimproved valuation	971	3,161,471,000	11,337,035	569	11,337,604	11,345,087	-	11,345,087	10,614,549
Total general rates		5,863	3,291,979,394	23,679,997	15,041	23,695,038	23,767,914	35,000	23,802,914	21,780,596
Minimum Payment										
Minimum payment			\$							
GRV Residential	Gross rental valuation	1,431	974	12,436,841	1,393,794	(118)	1,393,676	1,365,174	-	1,365,174
GRV - Commercial/Industrial	Gross rental valuation	1,431	76	658,420	108,756	(125)	108,631	107,325	-	107,325
GRV - Vacant	Gross rental valuation	1,431	485	2,701,125	694,035	(14,959)	679,076	611,037	-	611,037
UV - Rural	Unimproved valuation	1,464	220	47,020,600	322,080	(850)	321,230	314,760	-	314,760
UV-Commercial/Industrial	Unimproved valuation	1,464	3	432,900	4,392	-	4,392	4,392	-	4,125
UV-Mining	Unimproved valuation	1,464	153	3,275,313	223,992	(50,322)	173,670	232,776	-	232,776
Total minimum payments		1,911	66,525,199	2,747,049	(66,374)	2,680,675	2,635,464	-	2,635,464	3,127,645
Total general rates and minimum payments		7,774	3,358,504,593	26,427,046	(51,333)	26,375,713	26,403,378	35,000	26,438,378	24,908,241
Ex-gratia Rates and prepaid rates										
CBH Storage Facilities		N/A	-	422,031	-	422,031	420,047	-	420,047	397,936
Prepaid Rates		N/A	-	4,859	-	4,859	10,000	-	10,000	142,511
Total amount raised from rates (excluding general rates)		-	-	426,890	-	426,890	430,047	-	430,047	540,447
Discounts						(16,473)			(16,473)	(16,282)
Total Rates						26,786,130			26,851,952	25,432,406

(b) Rates related information

Rates instalment interest		79,074	62,000	65,972
Rates instalment plan charges		-	-	-
Rates overdue interest		41,013	27,735	2,809
Rates written off		849	5,000	175

*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 2025

27. DETERMINATION OF SURPLUS OR DEFICIT

Note	2024/25 (30 June 2025 Carried Forward)	2024/25 Budget (30 June 2025 Carried Forward)	Restated* 2023/24 (30 June 2024 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
	Less: Profit on asset disposals	(73,057)	(120,940)
	Less: Movement in liabilities associated with restricted cash	(97,713)	279,652
	Add: Loss on disposal of assets	467,580	51,039
	Add: Impairment of Plant and Equipment	-	2,765
	Add: Depreciation	23,376,694	23,403,044
	Non-cash movements in non-current assets and liabilities:		
	Pensioner deferred rates	(18,075)	5,000
	Employee benefit provisions	27,337	10,000
	Other provisions	146,823	-
	Lease liabilities	10,187	141,127
	Inventory	-	(10,187)
	Non-cash amounts excluded from operating activities	23,839,776	22,146,383
			22,424,326
(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
	Right of use assets received - non cash	126,538	-
	Movement in current capital expenditure provision associated with restricted cash	-	1,500,000
	Non-cash amounts excluded from investing activities	126,538	1,500,000
			99,307
(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
	Non cash proceeds from new leases	(126,538)	-
	Non-cash amounts excluded from financing activities	(126,538)	-
			(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
	Less: Reserve accounts	29 (38,577,357)	(40,139,885)
	Less: Financial assets at amortised cost - self supporting loans	4(a) (95,696)	(404,456)
	Less: Financial assets at amortised cost	-	-
	Less: Current assets not expected to be received at end of year	-	-
	- Land held for resale	6 (515,631)	(800,000)
	Add: Current liabilities not expected to be cleared at end of year		
	- Current portion of borrowings	14 155,635	461,774
	- Current portion of lease liabilities	43,013	8,402
	- Other provisions	-	1,500,000
	- Employee benefit provisions	1,731,622	1,721,363
	Total adjustments to net current assets	(37,258,414)	1,819,147
			(39,053,233)
Net current assets used in the Statement of Financial Activity			
	Total current assets	49,914,546	34,459,909
	Less: Total current liabilities	(9,846,401)	(10,256,604)
	Less: Total adjustments to net current assets	(37,258,414)	(24,247,763)
	Surplus or deficit after imposition of general rates	2,809,731	(44,458)
			4,219,909

*Refer to note 31 for correction of prior year error

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

28. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget			
		Principal at 1 July 2023	New Loans During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024	New Loans During 2024-25	Principal Repayments During 2024-25	Principal at 30 June 2025	Principal at 1 July 2024	New Loans During 2024-25	Principal Repayments During 2024-25	Principal at 30 June 2025
									\$	\$	\$	\$
Shark Lake Industrial Park		675,789	-	(54,813)	620,976	-	(57,319)	563,657	620,976	-	(57,319)	563,657
Graham Mackenzie Stadium		-	-	-	-	-	-	-	-	2,434,907	-	2,434,907
Total		675,789	-	(54,813)	620,976	-	(57,319)	563,657	620,976	2,434,907	(57,319)	2,998,564
Self Supporting Loans												
Recherche Aged Welfare		184,064	-	(19,810)	164,254	-	(21,098)	143,156	164,255	-	(21,100)	143,155
Esperance Bay Yacht Club		257,982	-	(19,209)	238,773	-	(20,182)	218,591	238,773	-	(20,183)	218,590
Newtown Condungup Football Club		32,265	-	(6,069)	26,196	-	(6,253)	19,943	26,196	-	(6,255)	19,941
Esperance Bay Yacht Club		6,360	-	(6,360)	-	-	-	-	-	-	-	-
Gibson Football Club		41,976	-	(41,975)	1	-	(1)	-	-	-	-	-
Condungup District Recreation Association		356,172	-	(48,813)	307,359	-	(307,359)	-	307,357	-	(307,357)	-
Esperance Tennis Club		10,061	-	(5,015)	5,046	-	(5,046)	-	5,046	-	(5,046)	-
Esperance Bay Yacht Club		697,055	-	(43,485)	653,570	-	(44,516)	609,054	653,570	-	(44,515)	609,055
Total Self Supporting Loans		1,585,935	-	(190,736)	1,395,199	-	(404,455)	990,744	1,395,197	-	(404,456)	990,741
Total Borrowings	14	2,261,724	-	(245,549)	2,016,175	-	(461,774)	1,554,401	2,016,173	2,434,907	(461,775)	3,989,305

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 2025	Budget for year ending 30 June 2025	Actual for year ending 30 June 2024
					\$	\$	\$
Shark Lake Industrial Park	296	WATC*	4.52%	28/06/2033	(31,695)	(27,428)	(34,545)
Total					(31,695)	(27,428)	(34,545)
Self Supporting Loans Finance Cost Payments							
Recherche Aged Welfare	291	WATC*	6.36%	13/12/2030	(11,095)	(9,950)	(11,833)
Esperance Bay Yacht Club	295	WATC*	5.01%	26/08/2033	(13,016)	(11,713)	(13,245)
Newtown Condungup Football Club	299	WATC*	3.05%	27/06/2028	(944)	(752)	(1,050)
Esperance Bay Yacht Club	300	WATC*	2.63%	04/12/2023	-	-	(64)
Gibson Football Club	301	WATC*	2.47%	23/01/2024	(18)	-	(733)
Condungup District Recreation Association	302	WATC*	0.90%	05/06/2025	(4,683)	(2,662)	(4,316)
Esperance Tennis Club	303	WATC*	0.61%	30/04/2025	(73)	(31)	(92)
Esperance Bay Yacht Club	304	WATC*	2.35%	13/01/2037	(19,275)	(14,942)	(18,158)
Total Self Supporting Loans Finance Cost Payments					(49,104)	(40,050)	(49,491)
Total Finance Cost Payments					(80,799)	(67,478)	(84,036)

* WA Treasury Corporation

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

28. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2024/25

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2025 Actual	2025 Budget	2025 Actual	2025 Budget		
Graham Mackenzie Stadium	NA	NA	NA				\$ 2,434,907		\$ -	\$ 2,434,907
							\$ 2,434,907		\$ -	\$ 2,434,907

* WA Treasury Corporation

(c) Lease Liabilities

Purpose	Note	Actual						Budget			
		Principal at 1 July 2023	New Leases During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024	New Leases During 2024-25	Principal Repayments During 2024-25	Principal at 30 June 2025	Principal at 1 July 2024	New Leases During 2024-25	Principal at 30 June 2025
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Motor vehicle		-	-	-	-	126,538	(13,973)	112,565	-	-	-
Gym equipment	5,767			(5,767)	-	-	-	-	-	-	-
Motor vehicle	3,017			(3,017)	-	-	-	-	-	-	-
Gym Equipment		-	99,307	(10,187)	89,120	-	(18,588)	70,532	89,121	-	(18,588)
Total Lease Liabilities	11(b)	8,784	99,307	(18,971)	89,120	126,538	(32,561)	183,097	89,121	-	(18,588)
											70,533

Lease Finance Cost Payments

Purpose	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2025		Budget for year ending 30 June 2025		Actual for year ending 30 June 2024		Lease Term
					\$	\$	\$	\$	\$	\$	
Motor vehicle		Toyota Fleet	4.58%	14/01/2030		(2,441)				-	60 months
Gym equipment		Maia Financial	1.40%	31/10/2023		-				(14)	60 months
Motor vehicle		Toyota Fleet	1.40%	31/12/2023		-				(12)	27 months
Gym Equipment		Maia Financial	4.58%	31/12/2028		(3,704)				(2,446)	60 months
Total Finance Cost Payments						(6,145)		(3,704)		(2,472)	

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

29. RESERVE ACCOUNTS	2025 Actual Opening Balance	2025 Actual Transfer	2025 Actual Transfer (from)	2025 Actual Closing Balance	2025 Budget Opening Balance	2025 Budget Transfer	2025 Budget Transfer (from)	2025 Budget Closing Balance	2024 Actual Opening Balance	2024 Actual Transfer	2024 Actual Transfer (from)	2024 Actual Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted by council													
(a) Land Purchase and Development	4,040,996	458,634	(1,118,246)	3,381,384	4,040,996	696,939	(3,181,492)	1,556,443	4,753,852	819,955	(1,532,811)	4,040,996	
(b) Eastern Suburbs Water Pipeline	41,012	1,963	-	42,975	41,012	984	-	41,996	39,180	1,832	-	41,012	
(c) Jetty	472,840	169,636	-	642,476	472,840	158,343	-	631,183	317,976	154,864	-	472,840	
(d) Aerodrome	7,149,317	781,100	(510,801)	7,419,616	7,474,716	630,278	(1,069,244)	7,035,750	6,850,889	582,790	(284,362)	7,149,317	
(e) Off Street Parking	583,798	27,948	-	611,746	583,798	14,005	-	597,803	557,726	26,072	-	583,798	
(f) Sanitation (Rubbish Removal)	12,272,816	2,260,604	(2,256,749)	12,276,671	12,272,816	1,665,175	(5,282,579)	8,655,412	11,259,138	2,191,456	(1,177,778)	12,272,816	
(g) Esperance Home Care Fundraising	1,016,734	751,631	-	1,768,365	1,016,734	24,391	-	1,041,125	743,736	272,998	-	1,016,734	
(h) Plant Replacement	633,211	30,313	(490,350)	173,174	633,211	116,190	-	749,401	768,104	35,907	(170,800)	633,211	
(i) Building Maintenance	2,991,316	595,411	(744,766)	2,841,961	2,991,316	625,686	(2,272,826)	1,344,176	2,086,654	1,108,779	(204,117)	2,991,316	
(j) Employee Entitlements Long Service Leave	1,369,474	222,728	-	1,592,202	1,369,474	32,852	-	1,402,326	1,308,314	61,160	-	1,369,474	
(k) Governance and Workers Compensation	218,433	210,856	(100,047)	329,242	218,433	205,240	(200,000)	223,673	43,752	182,045	(7,364)	218,433	
(l) EHC Asset Replacement	591,602	28,322	(11,105)	608,819	591,602	14,192	(65,111)	540,683	994,990	46,513	(449,901)	591,602	
(m) IT System and Process Development	76,583	56,167	-	132,750	76,583	54,337	-	130,920	44,025	52,058	(19,500)	76,583	
(n) Esperance Home Care Annual Leave	333,730	15,977	(75,692)	274,015	333,730	8,006	-	341,736	318,826	14,904	-	333,730	
(o) Esperance Home Care Long Service Leave	335,332	16,054	(47,434)	303,952	335,332	8,044	-	343,376	311,601	23,731	-	335,332	
(p) Priority Projects	834,672	291,378	(15,326)	1,110,724	635,109	267,736	(62,681)	840,164	540,131	424,703	(130,162)	834,672	
(q) Community Infrastructure	-	309,000	-	309,000	-	309,000	-	309,000	-	-	-	-	
(r) Unspent Grants and Contributions	7,178,019	4,758,285	(7,178,019)	4,758,285	7,178,017	(7,178,017)	-	-	8,168,376	7,178,017	(8,168,374)	7,178,019	
	40,139,885	10,986,007	(12,548,535)	38,577,357	40,265,719	4,831,398	(19,311,950)	25,785,167	-	39,107,270	13,177,784	(12,145,169)	40,139,885

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) Land Purchase and Development	Established to fund land improvement and sub-division development.
(b) 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.
(c) 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.
(d) Aerodrome	Established to fund future development and upgrades of airport facility. Funded by the annual surplus derived from operations of the airport.
(e) 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.
(f) 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.
(g) 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.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

29. RESERVE ACCOUNTS (Continued)

(h) 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.
(i) Building Maintenance	Established to hold unexpended funds from the Building Maintenance Program for the use of building maintenance and refurbishment of Council buildings.
(j) 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.
(k) 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.
(l) 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.
(m) 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.
(n) 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. Home Care Long Service Leave Reserve specific to Esperance Home Care.
(o) 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. Home Care Long Service Leave Reserve specific to Esperance Home Care.
(p) Priority Projects	Established to fund sufficient capacity to assist with the design, construction and operation of priority projects as determined by Council.
(q) Community Infrastructure	Established to provide for future funding of community infrastructure assets.
(r) Unspent Grants and Contributions	Established for the purpose of containing funds that are derived from unspent or prepaid grants and contributions from external parties.

**SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025**

30. TRUST FUNDS

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

	1 July 2024	Amounts Received	Amounts Paid	30 June 2025
	\$	\$	\$	\$
Contributions to Public Open Space	212,010	9,029	-	221,039
Other Deposits	1,679	10,457	-	12,136
General Bonds - Interest Bearing	484,970	280,675	-	765,645
	698,659	300,161	-	998,820

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

31. CORRECTION OF PRIOR PERIOD ERROR

On 30 June 2016, the Shire made the initial recognition of a make good provision for landfill relating to the Shire's waste facility, Wylie Bay. In 2024-25, the Shire carried out a full revaluation of the provision resulting in a material difference in value. During the revaluation it was discovered that the provision had historically been accounted for incorrectly. The Shire is now restating prior periods to reflect the relevant accounting methodology for make good provisions.

As this error was made in a reporting period prior to the comparative period, the Statement of Financial Position balances as at 01 July 2023 were restated as follows:

- Infrastructure increased by \$4,487,070 to record the full value of the landfill asset not previously recorded in the Shire's Statement of Financial Position. This increase to Infrastructure was as follows:
 - Infrastructure - other by \$5,245,815;
 - Accumulated depreciation on infrastructure - other by \$758,745.
- Other provisions were decreased by \$1,385,959.
- Retained surplus increased by \$5,873,029.

In addition, the Statement of Financial Position was still understated as at 30 June 2024, so this error resulted in the restatement of the following balances as at 30 June 2024:

- Infrastructure was increased by \$4,343,170 to record the full value of the landfill asset not previously recorded in the Shire's Statement of Financial Position. This increase to Infrastructure was as follows:
 - Infrastructure - other by \$5,245,815;
 - Accumulated depreciation on infrastructure - other by \$902,645 (\$143,900 for 2024 and \$758,745 for 2023).
- Other provisions decreased by \$1,484,187 (\$98,228 for 2024 and \$1,385,959 for 2023)
- Retained surplus increased by \$5,827,537.
- Materials and contracts expense decreased by \$242,657.
- Depreciation increased by \$143,900.
- Finance costs increased by \$144,429.
- Net result for the period decreased by \$45,672.

The changes in comparative figures have been reported as follows:

Statement of Financial Position (Extract)	30 June 2024	Increase/ (Decrease)	30 June 2024 (Restated)	30 June 2023	Increase/ (Decrease)	30 June 2023 (Restated)
	\$	\$	\$	\$	\$	\$
NON-CURRENT ASSETS						
Infrastructure	595,401,067	4,343,170	599,744,237	587,939,655	4,487,070	592,426,725
TOTAL NON-CURRENT ASSETS	703,655,036	4,343,170	707,998,206	696,128,003	4,487,070	700,615,073
TOTAL ASSETS	756,951,051	4,343,170	761,294,221	748,191,683	4,487,070	752,678,753
NON-CURRENT LIABILITIES						
Other Provisions	6,223,226	(1,484,187)	4,739,039	5,983,871	(1,385,959)	4,597,912
TOTAL NON-CURRENT LIABILITIES	8,267,769	(1,484,187)	6,783,582	8,388,170	(1,385,959)	7,002,211
TOTAL LIABILITIES	18,290,642	(1,484,187)	16,806,455	18,224,503	(1,385,959)	16,838,544
NET ASSETS	738,660,409	5,827,357	744,487,766	729,967,180	5,873,029	735,840,209
EQUITY						
Retained surplus	321,739,928	5,827,357	327,567,285	314,079,314	5,873,029	319,952,343
TOTAL EQUITY	738,660,409	5,827,357	744,487,766	729,967,180	5,873,029	735,840,209

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

31. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of Comprehensive Income (Extract)	2024	Increase/ (Decrease)	2024
			Restated
Material and Contracts	(12,980,360)	242,657	(12,737,703)
Depreciation	(22,658,326)	(143,900)	(22,802,226)
Finance Costs	(84,036)	(144,429)	(228,465)
Net Result for the Period	8,693,229	(45,672)	8,647,557
Statement of Changes in Equity (Extract)			
RETAINED SURPLUS			
Balance as at 30 June 2023	314,079,314	5,873,029	319,952,343
Net Result for the Period	8,693,229	(45,672)	8,647,557
Total comprehensive income for the period	8,693,229	(45,672)	8,647,557
Balance as at 30 June 2024	321,739,928	5,827,357	327,567,285
TOTAL EQUITY			
Balance as at 30 June 2023	729,967,180	5,873,029	735,840,209
Net Result for the Period	8,693,229	(45,672)	8,647,557
Total comprehensive income for the period	8,693,229	(45,672)	8,647,557
Balance as at 30 June 2024	738,660,409	5,827,357	744,487,766
Statement of Financial Activity (Extract)			
Material and Contracts	(12,980,360)	242,657	(12,737,703)
Depreciation	(22,658,326)	(143,900)	(22,802,226)
Finance Costs	(84,036)	(144,429)	(228,465)
Non cash amounts excluded from operating activities	22,378,654	45,672	22,424,326
Note 9 (a) - Infrastructure (Extract)			
INFRASTRUCTURE OTHER			
Balance at 30 June 2023	28,237,230	4,487,070	32,724,300
Depreciation	(894,656)	(143,900)	(1,038,556)
Balance at 30 June 2024	27,620,929	4,343,170	31,964,099
Gross balance at 30 June 2024	33,885,727	5,245,816	39,131,543
Accumulated depreciation at 30 June 2024	(6,264,798)	(902,646)	(7,167,444)
Balance at 30 June 2024	27,620,929	4,343,170	31,964,099
TOTAL INFRASTRUCTURE			
Balance at 30 June 2023	587,939,655	4,487,070	592,426,725
Depreciation	(17,750,543)	(143,900)	(17,894,443)
Balance at 30 June 2024	595,401,067	4,343,170	599,744,237
Gross balance at 30 June 2024	750,392,144	5,245,816	755,637,960
Accumulated depreciation at 30 June 2024	(154,991,077)	(902,646)	(155,893,723)
Balance at 30 June 2024	595,401,067	4,343,170	599,744,237
Note 16 - Other Provisions (Extract)			
Non-Current Provisions	6,223,226	(1,484,187)	4,739,039
Note 25 (b) - Function and Activity (Extract)			
Expenses - Community Amenities	(6,213,447)	(45,672)	(6,259,119)
Total expenses	(60,709,635)	(45,672)	(60,755,307)
Net result for the period	8,693,229	(45,672)	8,647,557
Note 27 (a) - Determination of Surplus or Deficit (Extract)			
Other Provisions	239,355	(98,228)	141,127
Depreciation	22,658,326	143,900	22,802,226
Non cash amounts excluded from operating activities	22,378,654	45,672	22,424,326

ATTACHMENT

SHIRE OF ESPERANCE

PERIOD OF AUDIT: 1 JULY 2024 TO 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Non-compliance with purchase order requirements	No		✓		✓
2. Error noted in accounting for employee benefits provision	No		✓		

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

SHIRE OF ESPERANCE

PERIOD OF AUDIT: 1 JULY 2024 TO 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Non-compliance with purchase order requirements

Finding

Our sample controls testing of purchase transactions noted 1 instance out of a total of 5 transactions tested where purchase order requirements as per the Shire's purchasing policy were not met. Specifically, a purchase order was not raised prior to incurring expenditure.

This finding was also raised in the 2024 financial year.

Rating: Moderate (2024: Moderate)

Implication

Purchases made without prior authorised purchase orders increases the risk of unauthorised expenditure.

Recommendation

To help ensure purchases have been appropriately authorised, all authorised officers should be reminded of the need to ensure purchase orders are raised prior to the authorising of works/services or ordering goods. This will also help to ensure budget responsibility.

Management comment

The Shire of Esperance acknowledges the above finding and agrees. While every effort is made to ensure that Purchase Orders are raised before goods/services are provided, the human element of procurement means that there may be some instances where the process is missed.

Purchasing officers will be reminded of the requirement to raise a Purchase Order before ordering goods/services and finance will endeavour to ensure Purchase Orders for subscriptions are raised at the beginning of each year/subscription period.

Responsible person: Manager Financial Services
Completion date: 2 December 2025

ATTACHMENT

SHIRE OF ESPERANCE

PERIOD OF AUDIT: 1 JULY 2024 TO 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Errors noted in accounting for employee benefits provision

Finding

Our testing of employee benefits provision relating to annual leave and long service leave has identified 2 instances out of 9 where errors occurred in accounting for the balances. In both cases, manual reallocation and recalculation adjustments were initially made to correct leave entitlements; however, subsequent automated system processes attempted to adjust these balances again, resulting in duplicate entries and overstated provisions.

Specifically, one employee's annual leave balance was overstated by 145 hours, and another employee's long service leave was overstated by 49 hours due to these compounded adjustments.

Rating: Moderate

Implication

Errors arising from manual adjustments to employee benefits provisions that are not properly reviewed increase the risk of inaccurate and overstated liabilities.

Recommendation

To ensure employee benefits provisions are appropriately accounted for, all manual adjustments should be clearly documented and independently reviewed by the finance team prior to posting.

Management comment

The Shire of Esperance acknowledges the above finding and agrees. The ERP provider has been contacted, and the Shire are looking at ways to avoid this happening again in the future. Procedures will be updated, and regular manual balance checks will be put into place.

Responsible person: Manager Financial Services

Completion date: 2 December 2025

17. MATTERS BEHIND CLOSED DOORS