Shire of Esperance

AUDIT, RISK AND IMPROVEMENT COMMITTEE

TUESDAY 27 OCTOBER 2026

MINUTES

DISCLAIMER

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

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

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

ATTACHMENTS

Please be advised that in order to save printing and paper costs, all attachments referenced in this paper are available in the original Agenda document for this meeting.

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SHIRE OF ESPERANCE

MINUTES

AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD IN COUNCIL MEETING ROOM ON 27 October 2026 COMMENCING AT 10:00 AM

1. OFFICIAL OPENING

The Presiding Member declared the meeting open at 10:05am.

2. ATTENDANCE

Members

Ms M Bennetts	Independent Chair
Mr K Mills	Community Representative (Deputy)
Cr L de Haas	Shire of Esperance
Cr G Harp	Shire of Esperance
Cr G McWilliam	Shire of Esperance

Shire Officers

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

3. APOLOGIES & NOTIFICATION OF GRANTED LEAVE OF ABSENCE

Previously Granted Leave of Absence

A leave of absence was previously granted to President Chambers for the period 13 October 2026 to 1 November 2026 inclusive.

4. DECLARATION OF MEMBERS INTERESTS

4.1 Declarations of Financial Interests – Local Government Act Section 5.60a
Nil

4.2 Declarations of Proximity Interests – Local Government Act Section 5.60b
Nil

4.3 Declarations of Impartiality Interests – Admin Regulations Section 34c
Nil

4.4 Declarations of Behavioural Breach Interests – Local Government Act Section 5.10(4)
Nil

5. CONFIRMATION OF MINUTES

Moved: **Cr de Haas**
Seconded: **Mr Mills**

AU1026-156

Committee Resolution

That the Minutes of the Audit, Risk and Improvement Committee Meeting of the 25 August 2026 be confirmed as a true and correct record.

CARRIED
F5 - A0
For: Cr McWilliam, Cr Harp, Cr de Haas, Mr Mills, Ms Bennetts

6. NEW BUSINESS OF AN URGENT NATURE

Nil

7. MATTERS BEHIND CLOSED DOORS

Officer's Comment:
It is recommended that the meeting is behind closed doors for the following matters, in accordance with section 5.23(4) of the Local Government Act 1995.

MOVING BEHIND CLOSED DOORS

Moved: **Cr Harp**
Seconded: **Cr de Haas**

AU1026-157

Committee Resolution

That the meeting proceed behind closed doors in accordance with section 5.23(4) of the Local Government Act 1995, to discuss confidential matters from the Office of the Auditor General relating to the Audit Exit Report and Management Letter

CARRIED
F5 - A0
For: Cr McWilliam, Cr Harp, Cr de Haas, Mr Mills, Ms Bennetts

The Audit, Risk and Improvement Committee went behind closed doors at 10:10am

COMING FROM BEHIND CLOSED DOORS

Moved: **Cr de Haas**
Seconded: **Cr McWilliam**

AU1026-158

Committee Resolution

That the Audit Risk and Improvement Committee come from behind closed doors

CARRIED
F5 - A0
For: Cr McWilliam, Cr Harp, Cr de Haas, Mr Mills, Ms Bennetts

The Audit Risk and Improvement Committee came from behind closed doors at 10:50am

8. MATTERS REQUIRING A DETERMINATION OF COMMITTEE

Item: 8.1

Audit Report Financial Year 2025-26

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

File Ref: D26/33315

Applicant
Corporate and Community Services

Location/Address
Internal

Executive Summary
To present to the Audit Committee the 2025-26 Annual Financial Report and Audit Report from the Office of Auditor General (OAG).

Recommendation in Brief
That the Audit Committee

1. Receive the 2025-26 Annual Financial Report including the Audit Report (Attachment A).
2. Recommends the Annual Financial Report and Audit Report for the 2025-26 financial year to Council for adoption.

Background
Council is required to prepare a financial report and present it to the Council's auditor by 30 September each year. This has been completed, and Annual Financial Report is 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 2026 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.

Three management points were noted in the Management Letter and Management comment is provided (Attachment C) - *CONFIDENTIAL*

Alternative Considerations
There are no alternate considerations for this report as the process for presenting the Annual Financial Report and the Audit Report is prescribed within the Local Government Act 1995 and Financial Management Regulations 1996.

Consultation
Office of the Auditor General (OAG).

Financial Implications
Improvements to the Asset Management and Financial System controls

Asset Management Implications
Improvements to cyclical stocktake of Assets.

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
None at this time.

Strategic Implications
Council Plan 2026-2036
Performance - Outcome 10. Effective Governance and Partnerships
Objective 10.1. Provide transparent, accountable and effective leadership and resource management

Environmental Considerations
Nil

Attachments
A⇩. 2025-26 Financial Statements - Shire of Esperance
B. Audit Exit Report - Shire of Esperance 30 June 2026 - *Confidential*
C. Shire of Esperance - Management representation letter - 30 June 2026 - *Confidential*

Item: 8.1 Audit Report Financial Year 2025-26

Moved: **Cr McWilliam**
Seconded: **Cr de Haas**

AU1026-159

Committee Resolution

That the Audit Committee;

1. **Receive the 2025-26 Annual Financial Report including the Audit Report (Attachment A).**
2. **Recommends the Annual Financial Report and Audit Report for the 2025-26 financial year with minor amendments as discussed to Council for adoption.**

CARRIED
F5 - A0
For: Cr McWilliam, Cr Harp, Cr de Haas, Mr Mills, Ms Bennetts

SHIRE OF ESPERANCE

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2026

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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:
Administation Offices
Windich Street
ESPERANCE WA 6450

SHIRE OF ESPERANCE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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 2026 and the financial position as at 30 June 2026.

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

Signed on the day of 2026

Chief Executive Officer
Shane Burge

SHIRE OF ESPERANCE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2026

	NOTE	2026 Actual	2026 Budget	2025 Actual
		$	$	$
Revenue				
Rates	2(a),26	27,959,570	28,077,679	26,786,130
Grants, subsidies and contributions	2(a)	16,580,246	11,778,094	12,056,814
Fees and charges	2(a)	12,818,688	12,565,051	11,608,878
Interest revenue	2(a)	2,243,867	1,801,500	2,542,602
Other revenue	2(a)	1,990,215	2,058,999	2,554,364
		61,592,586	56,281,323	55,548,788
Expenses				
Employee costs	2(b)	(24,281,805)	(25,013,978)	(22,642,749)
Materials and contracts		(15,237,719)	(19,777,450)	(15,579,466)
Utility charges		(1,470,501)	(1,476,201)	(1,410,574)
Depreciation		(26,196,457)	(23,684,722)	(23,376,694)
Finance costs		(246,627)	(83,670)	(237,249)
Insurance		(915,080)	(958,994)	(790,478)
Other expenditure	2(b)	(866,007)	(865,739)	(768,321)
		(69,214,196)	(71,860,754)	(64,805,531)
		(7,621,610)	(15,579,431)	(9,256,743)
Capital grants, subsidies and contributions	2(a)	15,491,081	36,174,101	12,007,869
Profit on asset disposals		104,429	199,233	73,057
Loss on asset disposals		(261,838)	(75,216)	(467,580)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	132,227	-	(6,215)
		15,465,899	36,298,118	11,607,131
Net result for the period	25(b)	**7,844,289**	**20,718,687**	**2,350,388**
Other comprehensive income for the period				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	17	(495,000)	-	25,840,260
Total other comprehensive income for the period		**(495,000)**	**-**	**25,840,260**
Total comprehensive income for the period		**7,349,289**	**20,718,687**	**28,190,648**

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

SHIRE OF ESPERANCE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026

	NOTE	Actual 2026 $	Actual 2025 $
CURRENT ASSETS			
Cash and cash equivalents	3	50,280,604	47,273,666
Trade and other receivables	5	2,785,137	1,268,603
Other financial assets	4(a)	122,925	95,696
Inventories	6	2,367,985	958,802
Other assets	7	2,675,894	317,779
TOTAL CURRENT ASSETS		58,232,545	49,914,546
NON-CURRENT ASSETS			
Trade and other receivables	5	154,882	128,148
Other financial assets	4(b)	1,343,683	1,034,381
Inventories	6	894,730	3,859,610
Property, plant and equipment	8	141,565,088	133,445,206
Infrastructure	9	602,140,425	600,823,099
Right-of-use assets	11(a)	137,767	183,082
TOTAL NON-CURRENT ASSETS		746,236,575	739,473,526
TOTAL ASSETS		804,469,120	789,388,072
CURRENT LIABILITIES			
Trade and other payables	12	4,127,011	2,925,803
Contract liabilities	13	3,607,819	2,971,014
Lease liabilities	11(b)	44,983	43,013
Borrowings	14	252,140	155,635
Employee related provisions	15	3,969,297	3,750,936
TOTAL CURRENT LIABILITIES		12,001,250	9,846,401
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	95,102	140,084
Borrowings	14	3,881,532	1,398,766
Employee related provisions	15	551,355	438,545
Other provisions	16	7,912,178	4,885,862
TOTAL NON-CURRENT LIABILITIES		12,440,167	6,863,257
TOTAL LIABILITIES		24,441,417	16,709,658
NET ASSETS		780,027,703	772,678,414
EQUITY			
Retained surplus		337,426,156	331,480,201
Reserve accounts	29	40,475,691	38,577,357
Revaluation surplus	17	402,125,856	402,620,856
TOTAL EQUITY		780,027,703	772,678,414

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 2026

	NOTE	RETAINED SURPLUS	RESERVE ACCOUNTS	REVALUATION SURPLUS	TOTAL EQUITY
		$	$	$	$
Balance as at 30 June 2024		**327,567,285**	**40,139,885**	**376,780,596**	**744,487,766**
Comprehensive income for the period					
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	-	-
Restated* Balance as at 30 June 2025		**331,480,201**	**38,577,357**	**402,620,856**	**772,678,414**
Comprehensive income for the period					
Net result for the period		7,844,289	-	-	7,844,289
Correction to revaluation	17	-	-	(495,000)	(495,000)
Total comprehensive income for the period		7,844,289	-	(495,000)	7,349,289
Transfers from reserve accounts	29	13,277,926	(13,277,925)	-	1
Transfers to reserve accounts	29	(15,176,260)	15,176,259	-	(1)
Balance as at 30 June 2026		**337,426,156**	**40,475,691**	**402,125,856**	**780,027,703**

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 2026

	NOTE	2026 Actual	2025 Actual
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		28,061,264	26,738,292
Grants, subsidies and contributions		15,922,230	12,439,567
Fees and charges		12,388,385	11,724,065
Interest revenue		2,243,867	2,542,602
Goods and services tax received		-	3,861,837
Other revenue		1,990,215	2,554,364
		60,605,961	59,860,727
Payments			
Employee costs		(23,868,874)	(22,554,787)
Materials and contracts		(13,630,152)	(14,849,616)
Utility charges		(1,470,501)	(1,410,574)
Finance costs		(90,240)	(237,249)
Insurance paid		(915,080)	(790,478)
Goods and services tax paid		157,333	(3,932,226)
Other expenditure		(851,449)	(645,522)
		(40,668,963)	(44,420,452)
Net cash provided by operating activities	18(b)	19,936,998	15,440,275
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets at amortised cost - self supporting loans		(300,000)	-
Payments for land held for sale		-	(42,512)
Payments for purchase of property, plant & equipment	8(a)	(14,584,733)	(8,261,021)
Payments for construction of infrastructure	9(a)	(22,114,096)	(21,455,491)
Proceeds from capital grants, subsidies and contributions		15,491,081	12,007,869
Proceeds from financial assets at amortised cost - self supporting loans		95,693	404,456
Proceeds for land held for sale		1,608,537	265,181
Proceeds from sale of property, plant & equipment		337,195	420,851
Net cash (used in) investing activities		(19,466,323)	(16,660,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	28(a)	(155,632)	(461,774)
Payments for principal portion of lease liabilities	28(d)	(43,012)	(32,561)
Proceeds from new borrowings	28(a)	2,734,907	0
Net cash provided by (used in) financing activities		2,536,263	(494,335)
Net increase (decrease) in cash held		3,006,938	(1,714,727)
Cash at beginning of year		47,273,666	48,988,393
Cash and cash equivalents at the end of the year	18(a)	50,280,604	47,273,666

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 2026

	NOTE	2026 Actual	2026 Budget	2025 Actual
		$	$	$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	26	24,794,953	24,876,431	26,359,241
Rates excluding general rates	26	3,164,617	3,201,248	426,889
Grants, subsidies and contributions		16,580,246	11,778,094	12,056,814
Fees and charges		12,818,688	12,565,051	11,608,878
Interest revenue		2,243,867	1,801,500	2,542,602
Other revenue		1,990,215	2,058,999	2,554,364
Profit on asset disposals		104,429	199,233	73,057
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	132,227	-	-
		61,829,242	56,480,556	55,621,845
Expenditure from operating activities				
Employee costs		(24,281,805)	(25,013,978)	(22,642,749)
Materials and contracts		(15,237,719)	(19,777,450)	(15,579,466)
Utility charges		(1,470,501)	(1,476,201)	(1,410,574)
Depreciation		(26,196,457)	(23,684,722)	(23,376,694)
Finance costs		(246,627)	(83,670)	(237,249)
Insurance		(915,080)	(958,994)	(790,478)
Other expenditure		(866,007)	(865,739)	(768,321)
Loss on asset disposals		(261,838)	(75,216)	(467,580)
		(69,476,034)	(71,935,970)	(65,273,111)
Non cash amounts excluded from operating activities	27(a)	29,517,605	24,108,413	23,839,776
Amount attributable to operating activities		21,870,813	8,652,999	14,188,510
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		15,491,081	36,174,101	12,007,869
Proceeds from disposal of assets		1,945,732	1,345,000	686,032
Proceeds from financial assets at amortised cost - self supporting loans	28(a)	95,693	407,724	404,456
Proceeds from financial assets at fair value through profit and loss		-	-	(6,215)
		17,532,506	37,926,825	13,092,142
Outflows from investing activities				
Payments for financial assets at amortised cost - self supporting loans		(300,000)	(300,000)	-
Right of use assets received - non cash	11(a)	-	-	(126,538)
Acquisition of property, plant and equipment	8(a)	(14,584,733)	(49,532,881)	(8,261,021)
Acquisition of infrastructure	9(a)	(22,114,096)	(19,865,154)	(21,455,491)
Payments for land held for sale		-	(1,000,000)	(42,512)
		(36,998,829)	(70,698,035)	(29,885,562)
Non-cash amounts excluded from investing activities	27(b)	-	-	126,538
Amount attributable to investing activities		(19,466,323)	(32,771,210)	(16,666,882)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	28(a)	2,734,907	2,734,907	-
Proceeds from new leases - non cash	28(d)	-	-	126,538
Transfers from reserve accounts	29	13,277,926	23,740,117	12,548,535
		16,012,833	26,475,024	12,675,073
Outflows from financing activities				
Repayment of borrowings	28(a)	(155,632)	(167,663)	(461,774)
Payments for principal portion of lease liabilities	28(d)	(43,012)	(43,056)	(32,561)
Transfers to reserve accounts	29	(15,176,260)	(4,985,664)	(10,986,007)
		(15,374,904)	(5,196,383)	(11,480,342)
Non-cash amounts excluded from financing activities	27(c)	-	-	(126,538)
Amount attributable to financing activities		637,929	21,278,641	1,068,193
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	27(d)	2,809,731	2,795,133	4,219,909
Amount attributable to operating activities		21,870,813	8,652,999	14,188,510
Amount attributable to investing activities		(19,466,323)	(32,771,210)	(16,666,882)
Amount attributable to financing activities		637,929	21,278,641	1,068,193
Surplus or deficit after imposition of general rates	27(d)	**5,852,150**	**(44,437)**	**2,809,730**

*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 2026
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SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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
- Measurement of employee benefits - Note 15
- Measurement of provisions - Note 16

Fair value heirarchy 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, no new or revised Australian Accounting Standards and Interpretations were applied for the first time which are expected to have a material impact.

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 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.

- *AASB 18 (NFP/super) Presentation and Disclosure in Financial Statements - (Appendix D) [for not-for-profit and superannuation entities]*

This standard is expected to have a material impact on the disclosures required to be made in the annual financial report for the year ended 30 June 2029 onwards.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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 2026

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	$	$	$	$	$
Rates	-	-	27,959,569	1	27,959,570
Grants, subsidies and contributions	16,712,473	-	-	(132,227)	16,580,246
Fees and charges	12,155,332	-	663,356	-	12,818,688
Interest revenue	46,778	-	125,419	2,071,670	2,243,867
Other revenue	1,990,215	-	-	-	1,990,215
Capital grants, subsidies and contributions	-	15,491,081	-	-	15,491,081
Total	30,904,798	15,491,081	28,748,344	1,939,444	77,083,667

For the year ended 30 June 2025

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	$	$	$	$	$
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

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	Note	2026 Actual	2025 Actual
		$	$
The Shire utilises volunteer services at the fire station, museum, Homecare and library. Volunteer services are not recognised as revenue as the fair value of the services cannot be reliably estimated.			
Interest revenue			
Financial assets at amortised cost - self supporting loans		39,841	49,300
Interest on reserve account		1,300,838	1,588,485
Trade and other receivables overdue interest		144,183	135,028
Other interest revenue		759,005	769,789
		2,243,867	2,542,602
Fees and charges relating to rates receivable			
Charges on instalment plan		82,072	79,074
The 2026 original budget estimate in relation to: Charges on instalment plan was $85,000.			

(b) Expenses

Auditors remuneration			
- Audit of the Annual Financial Report		81,130	76,000
- Other services – grant acquittals		6,865	8,935
		87,995	84,935
Employee Costs			
Employee benefit costs		19,999,803	18,802,652
Other employee costs		4,282,002	3,840,097
		24,281,805	22,642,749
Finance costs			
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss		88,388	231,085
Provisions: unwinding of discount		156,387	
Lease liabilities		1,852	6,164
		246,627	237,249
Other expenditure			
Impairment losses on rates and statutory receivables		493	849
Impairment losses on trade receivables		14,558	122,800
Sundry expenses		850,956	644,672
		866,007	768,321

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

3. CASH AND CASH EQUIVALENTS

	Note	2026	2025
		$	$
Cash at bank and on hand		15,990,501	21,273,666
Term deposits		34,290,103	26,000,000
Total cash and cash equivalents	18(a)	50,280,604	47,273,666
Held as			
- Unrestricted cash and cash equivalents		6,054,399	5,725,295
- Restricted cash and cash equivalents	18(a)	44,226,205	41,548,371
		50,280,604	47,273,666

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 2026

4. OTHER FINANCIAL ASSETS

	Note	2026	2025
		$	$
(a) Current assets			
Financial assets at amortised cost		122,925	95,696
		122,925	95,696
Other financial assets at amortised cost			
Self supporting loans receivable	27(d)	122,925	95,696
		122,925	95,696
Held as			
- Unrestricted other financial assets at amortised cost		122,925	95,696
		122,925	95,696
(b) Non-current assets			
Financial assets at amortised cost		1,072,122	895,047
Financial assets at fair value through profit or loss		271,561	139,334
		1,343,683	1,034,381
Financial assets at amortised cost			
Self supporting loans receivable		1,072,122	895,047
		1,072,122	895,047
Financial assets at fair value through profit or loss			
Units in Local Government House Trust - opening balance		139,334	145,549
Movement attributable to fair value (decrement)/increment		132,227	(6,215)
Units in Local Government House Trust - closing balance		271,561	139,334

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 hierachy (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 2026

5. TRADE AND OTHER RECEIVABLES

	Note	2026	2025
		$	$
Current			
Rates and statutory receivables		241,445	278,144
Trade receivables		2,290,798	1,010,535
GST receivable		263,178	420,511
Allowance for credit losses of trade receivables	22(b)	(10,284)	(440,587)
		2,785,137	1,268,603
Non-current			
Rates and statutory receivables		154,882	128,148
		154,882	128,148

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 2026 Actual	30 June 2025 Actual	1 July 2024 Actual
		$	$	$
Trade and other receivables from contracts with customers		2,290,798	1,010,535	1,157,562
Contract assets	7	854,563	169,983	998,683
Allowance for credit losses of trade receivables	5	(10,284)	(440,587)	(325,400)
Total trade and other receivables from contracts with customers		3,135,077	739,931	1,830,845

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.

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 2026

6. INVENTORIES

	Note	2026	2025
Current		$	$
Fuel and materials		91,443	49,389
Road making materials		241,686	261,174
Visitor Centre Stock		129,230	132,608
Land held for resale			
Cost of acquisition		1,905,626	515,631
		2,367,985	958,802
Non-current			
Land held for resale			
Cost of acquisition		894,730	3,859,610
		894,730	3,859,610
The following movements in inventories occurred during the year:			
Balance at beginning of year		4,818,412	4,652,086
Inventories expensed during the year		(1,803,313)	(2,094,731)
Additions to inventory		247,616	2,261,057
Balance at end of year		3,262,715	4,818,412

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 2026

7. OTHER ASSETS

	2026	2025
	$	$
Other assets - current		
Prepayments	281,758	-
Accrued income	1,300,833	26,148
Contract assets	854,563	169,983
Interest Receivable	145,363	103,541
Infringements	93,377	18,107
	2,675,894	317,779

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 2026

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				
	Land	Buildings	Land	Buildings	Work in progress	Total Property	Furniture and equipment	Plant and equipment	Motor Vehicles	Roadmaking Plant	Total property, plant and equipment
	$	$	$	$	$	$	$	$	$	$	$
Balance at 1 July 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
Additions	11,396	304,374	11,396	304,374	12,318,722	12,634,492	51,233	437,185	277,316	1,184,507	14,584,733
Disposals	-	-	-	-	-	-	-	(107,983)	(171,387)	(248,885)	(528,255)
Correction/adjustment *	-	(495,000)	-	(495,000)	-	(495,000)	-	-	-	-	(495,000)
Depreciation	-	(2,876,914)	-	(2,876,914)	-	(2,876,914)	(178,671)	(586,274)	(404,995)	(1,331,889)	(5,378,743)
Transfers	-	1,193,308	-	1,193,308	(1,269,401)	(76,093)	-	13,240	-	-	(62,853)
Balance at 30 June 2026	29,860,096	77,275,621	29,860,096	77,275,621	15,841,709	122,977,426	667,747	4,950,331	2,888,175	10,081,409	141,565,088
Comprises:											
Gross balance amount at 30 June 2026	29,860,096	147,179,375	29,860,096	147,179,375	15,841,709	192,881,180	2,033,884	12,251,768	5,768,857	17,552,207	230,487,896
Accumulated depreciation at 30 June 2026	-	(69,903,754)	-	(69,903,754)	-	(69,903,754)	(1,366,137)	(7,301,437)	(2,880,682)	(7,470,798)	(88,922,808)
Balance at 30 June 2026	29,860,096	77,275,621	29,860,096	77,275,621	15,841,709	122,977,426	667,747	4,950,331	2,888,175	10,081,409	141,565,088

* The revaluation correction in 2025-26 is related to the valuation of an asset under construction in error at the end of 2024-25 as a result of the fair valuation of land and buildings.

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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)	29,860,096	29,848,700	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		29,860,096	29,848,700					
Buildings - Non Specialised	8(a)	77,275,621	79,149,853	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		77,275,621	79,149,853					

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					Cost	Cost		Purchase cost

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - drainage	Infrastructure - parks and ovals	Infrastructure - other	Infrastructure - work in progress	Other infrastructure - Pipes & Culverts	Other infrastructure - Airport	Total Infrastructure
	$	$	$	$	$	$	$	$	$
Balance at 1 July 2024	482,905,685	18,452,424	27,587,302	14,267,193	31,963,393	4,303,775	12,266,163	8,096,269	599,842,204
Additions	19,531,290	299,182	59,526	42,059	-	1,523,434	-	-	21,455,491
Depreciation (Restated)*	(14,125,216)	(817,927)	(301,688)	(1,423,951)	(1,013,120)	-	(184,815)	(382,441)	(18,249,157)
Transfers	-	-	-	49,059	16,397	(2,290,895)	-	-	(2,225,439)
Balance at 30 June 2025	488,311,759	17,933,679	27,345,140	12,934,360	30,966,670	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)	(8,180,565)	-	(6,657,634)	(3,651,583)	(174,142,879)
Balance at 30 June 2025	488,311,759	17,933,679	27,345,140	12,934,360	30,966,670	3,536,314	12,081,348	7,713,828	600,823,099
Additions	14,960,140	36,766	98,481	637,579	2,949,179	3,404,078	-	27,873	22,114,096
Depreciation	(16,073,962)	(845,036)	(299,131)	(1,506,658)	(1,664,242)	-	(184,815)	(198,555)	(20,772,399)
Transfers	-	-	-	805,674	2,872,673	(3,702,717)	-	-	(24,370)
Balance at 30 June 2026	487,197,937	17,125,409	27,144,490	12,870,955	35,124,280	3,237,675	11,896,533	7,543,146	602,140,425
Comprises:									
Gross balance at 30 June 2026	630,215,467	27,771,192	32,255,951	28,474,065	44,969,086	3,237,675	18,738,982	11,393,284	797,055,702
Accumulated depreciation at 30 June 2026	(143,017,530)	(10,645,783)	(5,111,461)	(15,603,110)	(9,844,806)	-	(6,842,449)	(3,850,138)	(194,915,277)
Balance at 30 June 2026	487,197,937	17,125,409	27,144,490	12,870,955	35,124,280	3,237,675	11,896,533	7,543,146	602,140,425

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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 2026

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.

	2026	2025
	$	$
Furniture and equipment	209,100	260,136
Plant and equipment	772,822	288,688
Motor vehicles	1,496,609	1,996,072
Road making plant	3,337,881	870,500
	5,816,412	3,415,396

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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

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

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

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
		$	$
Balance at 1 July 2024		88,110	88,110
Additions *		126,538	126,538
Depreciation		(31,566)	(31,566)
Balance at 30 June 2025		183,082	183,082
Gross balance amount at 30 June 2025		225,845	225,845
Accumulated depreciation at 30 June 2025		(42,763)	(42,763)
Balance at 30 June 2025		183,082	183,082
Depreciation		(45,315)	(45,315)
Balance at 30 June 2026		137,767	137,767
Gross balance amount at 30 June 2026		225,845	225,845
Accumulated depreciation at 30 June 2026		(88,078)	(88,078)
Balance at 30 June 2026		137,767	137,767

*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:		2026 Actual	2025 Actual
		$	$
Depreciation on right-of-use assets		(45,315)	(31,566)
Finance charge on lease liabilities	28(d)	(7,425)	(6,145)
Total amount recognised in the statement of comprehensive income		(52,740)	(37,711)
Total cash outflow from leases		(50,437)	(38,706)

(b) Lease Liabilities

Current		44,983	43,013
Non-current		95,102	140,084
	28(d)	140,085	183,097

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(d).

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
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11. LEASES (Continued)

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

	2026 Actual $	2025 Actual $
The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.		
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	2,462,500	2,612,500
	3,812,500	3,962,500

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
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12. TRADE AND OTHER PAYABLES

	2026	2025
	$	$
Current		
Sundry creditors	2,028,273	1,617,189
Prepaid rates	116,804	25,075
Accrued payroll liabilities	931,729	849,969
Accrued Expenditure	65,724	-
Bonds and deposits held	963,794	423,942
Accrued interest on long term borrowings	20,687	9,628
	4,127,011	2,925,803

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
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13. OTHER LIABILITIES

	2026	2025
	$	$
Current		
Contract liabilities	3,607,819	2,971,014
	3,607,819	2,971,014
Reconciliation of changes in contract liabilities		
Opening balance	2,971,014	2,612,488
Additions	3,607,819	2,971,014
Revenue from contracts with customers included as a contract liability at the start of the period	(2,971,014)	(2,612,488)
	3,607,819	2,971,014

The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was $3,607,819 (2025: $2,971,014)

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
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14. BORROWINGS

	Note	2026 Current	2026 Non-current	2026 Total	2025 Current	2025 Non-current	2025 Total
Unsecured		$	$	$	$	$	$
Other loans		252,140	3,881,532	4,133,672	155,635	1,398,766	1,554,401
Total unsecured borrowings	28(a)	252,140	3,881,532	4,133,672	155,635	1,398,766	1,554,401

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 2026 and 2025 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 hierachy (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 2026

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2026	2025
Current provisions	$	$
Employee benefit provisions		
Annual leave	2,448,743	2,293,326
Long service leave	1,520,554	1,457,610
	3,969,297	3,750,936
Total current employee related provisions	3,969,297	3,750,936
Non-current provisions		
Employee benefit provisions		
Long service leave	551,355	438,545
	551,355	438,545
Total non-current employee related provisions	551,355	438,545
Total employee related provisions	4,520,652	4,189,481

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

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

	Note	2026	2025
Amounts are expected to be settled on the following basis:		$	$
Less than 12 months after the reporting date		1,516,038	1,653,784
More than 12 months from reporting date		3,004,614	2,535,697
		4,520,652	4,189,481

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 2026

16. OTHER PROVISIONS

	Make good provisions	Total
	$	$
Opening balance at 1 July 2025		
Non-current provisions	4,885,862	4,885,862
	4,885,862	4,885,862
Additional provision	2,869,929	2,869,929
Charged to profit or loss		
- unwinding of discount	156,387	156,387
Balance at 30 June 2026	7,912,178	7,912,178
Comprises		
Non-current	7,912,178	7,912,178
	7,912,178	7,912,178

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
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17. REVALUATION SURPLUS

	2026 Opening Balance	Revaluation Correction	2026 Closing Balance	2025 Opening Balance	Total Movement on Revaluation	2025 Closing Balance
	$	$	$	$	$	$
Revaluation surplus - Land and buildings	63,405,584	(495,000)	62,910,584	37,565,324	25,840,260	63,405,584
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
	402,620,856	(495,000)	402,125,856	376,780,596	25,840,260	402,620,856

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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	2026 Actual	2025 Actual
		$	$
Cash and cash equivalents	3	50,280,604	47,273,666
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	44,226,205	41,548,371
		44,226,205	41,548,371
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	29	40,475,691	38,577,357
Contract liabilities	13	3,607,819	2,971,014
Unspent loans	28(c)	142,695	-
Total restricted financial assets		44,226,205	41,548,371

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

Net result		7,844,289	2,350,388
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		(132,227)	-
Depreciation/amortisation		26,196,457	23,376,694
(Profit)/loss on sale of asset		191,060	394,523
Impairment of plant and equipment			
Carry forward work in Progress Expensed		87,223	
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		(1,543,268)	123,771
(Increase)/decrease in other assets		(1,673,535)	483,422
(Increase)/decrease in inventories		(52,839)	(380,354)
(Increase)/decrease in contract assets		(684,580)	828,700
Increase/(decrease) in trade and other payables		1,201,207	(228,593)
Increase/(decrease) in employee related provisions		331,171	(5,756)
Increase/(decrease) in other provisions		3,026,316	146,823
Increase/(decrease) in other liabilities		636,805	358,526
Capital grants, subsidies and contributions		(15,491,081)	(12,007,869)
Net cash provided by/(used in) operating activities		19,936,998	15,440,275

(c) Non-cash investing and financing activities

Acquisition of right of use assets by means of lease	11(a)	-	126,538

(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		(5,058)	(8,083)
Total amount of credit unused		274,942	271,917
Loan facilities			
Loan facilities - current		252,140	155,635
Loan facilities - non-current		3,881,532	1,398,766
Total facilities in use at balance date		4,133,672	1,554,401
Unused loan facilities at balance date		142,695	NIL

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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19. CONTINGENT LIABILITIES

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

20. CAPITAL COMMITMENTS

	2026	2025
	$	$
Contracted for:		
- capital expenditure projects	12,038,550	8,649,532
- plant & equipment purchases	4,457,517	497,475
	16,496,067	9,147,007
Payable:		
- not later than one year	16,496,067	9,147,007

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, Condingup 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
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21. RELATED PARTY TRANSACTIONS

(a) Council Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.	Note	2026 Actual	2026 Budget	2025 Actual
		$	$	$
President's annual allowance		44,087	44,087	42,596
President's meeting attendance fees		25,773	25,773	24,200
President's annual allowance for ICT expenses		1,700	1,700	1,644
		71,560	71,560	68,440
Deputy President's annual allowance		11,022	11,022	10,649
Deputy President's meeting attendance fees		21,338	21,338	19,788
Deputy President's annual allowance for ICT expenses		1,700	1,700	1,644
		34,060	34,060	32,081
All other council member's meeting attendance fees		147,584	149,362	138,513
All other council member's annual allowance for ICT expenses		11,758	11,900	11,511
All other council member's annual allowance for travel and accommodation expenses		2,121	-	-
		161,463	161,262	150,024
	21(b)	267,083	266,882	250,545

(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		887,373		862,636
Post-employment benefits		122,844		117,340
Employee - other long-term benefits		24,915		36,603
Council member costs	21(a)	267,083		250,545
		1,302,215		1,267,124

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 2026

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:	2026 Actual $	2025 Actual $
Purchase of goods and services	240,670	299,931
Short term employee benefits - other related parties	455,247	214,115
Amounts outstanding from related parties:		
Trade and other receivables	1,864	2,109
Amounts payable to related parties:		
Trade and other payables	69,890	-

(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 2026

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
	%	$	$	$	$
2026					
Cash and cash equivalents	4.42%	50,280,604	34,290,103	15,982,251	8,250
Financial assets at amortised cost - term deposits	0.00%	-	-	-	-
Financial assets at amortised cost - Treasury bonds					
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					

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

	2026	2025
	$	$
Impact of a 1% movement in interest rates on profit or loss and equity*	159,823	212,654

* 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
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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 2025 or 1 July 2026 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 2026 and 30 June 2025 was determined as follows for trade and other receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2026					
Trade receivables					
Expected credit loss	0.00%	0.00%	0.00%	78.89%	
Gross carrying amount	2,198,223	60,294	19,245	13,036	2,290,798
Loss allowance	-	-	-	10,284	10,284

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	172,484	40,214	15,945	12,802	241,445
Loss allowance	-	-	-	-	-

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
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

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Rates receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	225,809	37,078	9,167	6,090	278,144
Loss allowance	-	-	-	-	-

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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	
	2026 Actual	2025 Actual	2026 Actual	2025 Actual	2026 Actual	2025 Actual
	$	$	$	$	$	$
Opening loss allowance as at 1 July	440,587	325,400	-		-	
Increase in loss allowance recognised in profit or loss during the year	(430,303)	115,187	-	-	-	-
Receivables written off during the year as uncollectible	14,558	7,613	493	849	-	
Unused amount reversed	(14,558)	(7,613)	(493)	(849)	-	
Closing loss allowance at 30 June	10,284	440,587	-	-	-	-

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 2026

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
2026	$	$	$	$	$
Trade and other payables	4,127,011	-	-	4,127,011	4,127,011
Borrowings	252,140	1,377,008	2,504,524	4,133,672	4,133,672
Lease liabilities	44,983	95,102		140,085	140,085
	4,424,134	1,472,110	2,504,524	8,400,768	8,400,768
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

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

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
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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.

To the extent possible, market information is extracted from either the principal market for the asset or liability or, in the absence of such a market, the most advantageous market available to the Shire at the end of the reporting period.

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. The Shire only considers whether the highest and best use differs from its current use where it is highly probable a non-financial asset will be used for an alternative purpose or the asset is held for the purpose of generating net cash inflows.

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.

j) 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.

k) 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 2026

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
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25. FUNCTION AND ACTIVITY (Continued)

(b) Income and expenses

	2026 Actual	2025 Actual
	$	$
Income excluding grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	317,744	250,834
General purpose funding	30,169,003	29,289,412
Law, order, public safety	320,370	120,820
Health	70,053	112,800
Education and welfare	825,404	780,670
Community amenities	6,332,959	5,705,394
Recreation and culture	3,553,285	3,954,955
Transport	2,165,968	2,163,507
Economic services	949,564	693,053
Other property and services	412,419	493,586
	45,116,769	43,565,031
Grants, subsidies and contributions and capital grants, subsidies and contributions		
Governance	339,775	191,893
General purpose funding	9,753,246	5,268,888
Law, order, public safety	1,642,204	904,906
Health	609	10,965
Education and welfare	4,362,287	4,836,866
Community amenities	453,563	371,493
Recreation and culture	5,995,025	2,259,823
Transport	9,246,287	9,640,755
Economic services	148,234	391,256
Other property and services	262,324	187,838
	32,203,554	24,064,683
Total Income	77,320,323	67,629,714
Expenses		
Governance	(4,272,766)	(2,883,534)
General purpose funding	(409,559)	(418,398)
Law, order, public safety	(3,206,449)	(2,986,137)
Health	(532,282)	(534,092)
Education and welfare	(5,293,654)	(5,477,931)
Community amenities	(8,220,775)	(6,484,829)
Recreation and culture	(16,374,679)	(17,655,491)
Transport	(26,731,345)	(25,101,371)
Economic services	(2,677,392)	(2,421,204)
Other property and services	(1,757,133)	(1,316,339)
Total expenses	(69,476,034)	(65,279,326)
Net result for the period	7,844,289	2,350,388

(c) Total Assets

Governance	7,092,285	4,701,096
General purpose funding	36,977,806	37,265,894
Law, order, public safety	9,131,186	9,462,230
Health	81,776	39,005
Education and welfare	10,565,118	10,453,335
Community amenities	23,596,809	25,476,745
Recreation and culture	57,317,187	90,269,862
Transport	36,612,377	580,469,015
Economic services	39,459,523	518,143
Other property and services	560,877,681	11,637,640
Unallocated	22,757,372	19,095,107
	804,469,120	789,388,072

SHIRE OF ESPERANCE
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FOR THE YEAR ENDED 30 JUNE 2026

26. RATING INFORMATION

(a) General Rates

RATE TYPE Rate Description	Basis of valuation	Rate in $	Number of Properties	2025/26 Actual Rateable Value*	2025/26 Actual Rate Revenue	2025/26 Actual Interim Rates	2025/26 Actual Total Revenue	2025/26 Budget Rate Revenue	2025/26 Budget Interim Rate	2025/26 Budget Total Revenue	2024/25 Actual Total Revenue
				$	$	$	$	$	$	$	$
GRV Residential	Gross rental valuation	0.098832	4,416	96,797,123	9,566,654	51,727	9,618,381	9,564,084	35,000	9,599,084	9,138,064
GRV - Commercial/Industrial	Gross rental valuation	0.098832	417	31,575,525	3,120,672	(95,335)	3,025,337	3,120,672	-	3,120,672	3,031,370
GRV - Vacant	Gross rental valuation	0.098832	76	1,959,756	193,687	(1,577)	192,110	193,687	-	193,687	188,000
UV - Rural	Unimproved valuation	0.003159	973	3,786,954,000	11,962,988	(3,863)	11,959,125	11,962,988	-	11,962,988	11,337,604
Total general rates			5,882	3,917,286,404	24,844,001	(49,048)	24,794,953	24,841,431	35,000	24,876,431	23,695,038
		Minimum Payment									
Minimum payment		$									
GRV Residential	Gross rental valuation	1,495	975	12,444,241	1,457,625	(6,599)	1,451,026	1,457,625	-	1,457,625	1,393,676
GRV - Commercial/Industrial	Gross rental valuation	1,495	75	647,348	112,125	592	112,717	112,125	-	112,125	108,631
GRV - Vacant	Gross rental valuation	1,495	467	2,608,335	698,165	(12,575)	685,590	698,165	-	698,165	679,076
UV - Rural	Unimproved valuation	1,530	224	57,450,700	342,720	4,926	347,646	342,720	-	342,720	321,230
UV Commercial/Industrial	Unimproved valuation	1,530	3	494,500	4,590		4,590	4,590	-	4,590	4,392
UV-Mining	Unimproved valuation	1,530	99	1,442,594	151,470	(12,975)	138,495	151,470	-	151,470	173,670
Total minimum payments			1,843	75,087,718	2,766,695	(26,631)	2,740,064	2,766,695	-	2,766,695	2,680,675
Total general rates and minimum payments			7,725	3,992,374,122	27,610,696	(75,679)	27,535,017	27,608,126	35,000	27,643,126	26,375,713
		Rate in									
Ex-gratia Rates and prepaid rates											
CBH Storage Facilities		N/A	-	-	441,016	-	441,016	441,016	-	441,016	422,031
Prepaid Rates		N/A	-	-	-	-	-	10,000	-	10,000	4,859
Total amount raised from rates (excluding general rates)			-	-	441,016	-	441,016	451,016	-	451,016	426,890
Discounts							(16,463)			(16,473)	(16,473)
Total Rates							27,959,570			28,077,669	26,786,130

(b) Rates related information

Rates instalment interest							82,072			78,000	79,074
Rates instalment plan charges										-	-
Rates overdue interest							43,348			40,000	41,013
Rates written off							493			-	849

*Rateable Value at time of raising of rate.

SHIRE OF ESPERANCE
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27. DETERMINATION OF SURPLUS OR DEFICIT

	Note	2025/26 (30 June 2026 Carried Forward)	2025/26 Budget (30 June 2026 Carried Forward)	2024/25 (30 June 2025 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 *Financial Management Regulation 32.*				
Adjustments to operating activities				
Less: Profit on asset disposals		(104,429)	(199,233)	(73,057)
Less: Movement in liabilities associated with restricted cash		96,351	279,652	(97,713)
Less: Fair value adjustments to financial assets at fair value through profit or		(132,227)	-	-
Add: Loss on disposal of assets		261,838	75,216	467,580
Add: Impairment of Plant and Equipment	8(a)	-	-	-
Add: Depreciation	10(a)	26,196,457	23,684,722	23,376,694
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates		(26,734)	10,000	(18,075)
Employee benefit provisions		112,810	33,056	27,337
Property, Plant & Equipment Movements		87,223	-	-
Infrastructure Movements		-	-	-
Other provisions		3,026,316	225,000	146,823
Lease liabilities		-	-	10,187
Non-cash amounts excluded from operating activities		29,517,605	24,108,413	23,839,776
(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 *Financial Management Regulation 32.*				
Adjustments to investing activities				
Right of use assets received - non cash	11(a)	-	-	126,538
cash		-	1,500,000	-
Non-cash amounts excluded from investing activities		-	1,500,000	126,538
(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 *Financial Management Regulation 32.*				
Adjustments to financing activities				
Non cash proceeds from new leases	28(d)	-	-	(126,538)
Non-cash amounts excluded from financing activities		-	-	(126,538)
(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 *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	29	(40,475,691)	(19,822,904)	(38,577,357)
Less: Financial assets at amortised cost - self supporting loans	4(a)	(122,925)	(107,724)	(95,696)
Less: Financial assets at amortised cost		-	-	-
Less: Current assets not expected to be received at end of year		-	-	-
- Land held for resale	6	(1,905,626)	(1,088,540)	(515,631)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14	252,140	205,635	155,635
- Current portion of lease liabilities	11(b)	44,983	29,078	43,013
- Other provisions		-	-	-
- Employee benefit provisions		1,827,974	1,997,298	1,731,622
Total adjustments to net current assets		(40,379,145)	(18,787,157)	(37,258,414)
Net current assets used in the Statement of Financial Activity				
Total current assets		58,232,545	28,782,715	49,914,546
Less: Total current liabilities		(12,001,250)	(10,039,995)	(9,846,401)
Less: Total adjustments to net current assets		(40,379,145)	(18,787,157)	(37,258,414)
Surplus or deficit after imposition of general rates		5,852,150	(44,437)	2,809,731

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

28. BORROWING AND LEASE LIABILITIES

(a) Borrowings

		Actual							Budget			
Purpose	Note	Principal at 1 July 2024	New Loans During 2024-25	Principal Repayments During 2024-25	Principal at 30 June 2025	New Loans During 2025-26	Principal Repayments During 2025-26	Principal at 30 June 2026	Principal at 1 July 2025	New Loans During 2025-26	Principal Repayments During 2025-26	Principal at 30 June 2026
		$	$	$	$	$	$	$	$	$	$	$
Shark Lake Industrial Park		620,976	-	(57,319)	563,657	-	(59,939)	503,718	563,657	-	(59,939)	503,718
Graham Mackenzie Stadium		-	-	-	-	2,434,907	-	2,434,907	-	2,434,907	-	2,434,907
Total		620,976	-	(57,319)	563,657	2,434,907	(59,939)	2,938,625	563,657	2,434,907	(59,939)	2,938,625
Self Supporting Loans												
Recherche Aged Welfare		164,254	-	(21,100)	143,154	-	(22,472)	120,682	143,155	-	(22,474)	120,681
Esperance Bay Yacht Club		238,773	-	(20,183)	218,590	-	(21,207)	197,383	218,590	-	(21,208)	197,382
Newtown Condingup Football Club		26,196	-	(6,255)	19,941	-	(6,446)	13,495	19,941	-	(6,448)	13,493
Gibson Football Club		1	-	(1)	-	-	-	-	-	-	-	-
Condingup District Recreation Association		307,359	-	(307,359)	-	-	-	-	-	-	-	-
Esperance Tennis Club		5,046	-	(5,046)	-	-	-	-	-	-	-	-
Esperance Bay Yacht Club		653,570	-	(44,515)	609,055	-	(45,568)	563,487	609,054	-	(45,567)	563,487
Esperance Hockey Association		-	-	-	-	300,000	-	300,000	-	300,000	(12,027)	287,973
Total Self Supporting Loans		1,395,199	-	(404,459)	990,740	300,000	(95,693)	1,195,047	990,740	300,000	(107,724)	1,183,017
Total Borrowings	14	2,016,175	-	(461,778)	1,554,397	2,734,907	(155,632)	4,133,672	1,554,398	2,734,907	(167,663)	4,121,642

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 2026	Budget for year ending 30 June 2026	Actual for year ending 30 June 2025
					$	$	$
Shark Lake Industrial Park	296	WATC*	4.52%	28/06/2033	(28,912)	(28,812)	(31,695)
Graham Mackenzie Stadium	306	WATC*	5.82%	29/05/2026	-	-	-
Total					(28,912)	(28,812)	(31,695)
Self Supporting Loans Finance Cost Payments							
Recherche Aged Welfare	291	WATC*	6.36%	13/12/2030	(10,074)	(9,496)	(11,095)
Esperance Bay Yacht Club	295	WATC*	5.01%	26/08/2033	(12,573)	(11,797)	(13,016)
Newtown Condingup Football Club	299	WATC*	3.05%	27/06/2028	(765)	(684)	(944)
Gibson Football Club	301	WATC*	2.47%	23/01/2024	-	-	(18)
Condingup District Recreation Association	302	WATC*	0.90%	05/06/2025	(841)	-	(4,683)
Esperance Tennis Club	303	WATC*	0.61%	30/04/2025	1,110	-	(73)
Esperance Bay Yacht Club	304	WATC*	2.35%	13/01/2037	(19,872)	(17,773)	(19,275)
Esperance Hockey Association	305	WATC*	5.29%	05/06/2026	-	-	-
Total Self Supporting Loans Finance Cost Payments					(43,015)	(39,750)	(49,104)
Total Finance Cost Payments					(71,927)	(68,562)	(80,799)

* WA Treasury Corporation

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

28. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2025/26

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed 2026 Actual	Amount Borrowed 2026 Budget	Amount (Used) 2026 Actual	Amount (Used) 2026 Budget	Total Interest & Charges	Actual Balance Unspent
				%	$	$	$	$	$	$
Graham Mackenzie Stadium	WATC	NA	20	5.82%	2,434,907	2,434,907	2,434,907	2,434,907	-	142,695
Esperance Hockey Association	WATC	NA	10		300,000	300,000	300,000	300,000		
					2,734,907	2,734,907	2,734,907	2,734,907	-	142,695

* WA Treasury Corporation

(c) Unspent Borrowings

Particulars	Institution	Date Borrowed	Unspent Balance 1 July 2025	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2026
			$	$	$	$
Graham Mackenzie Stadium	WATC	29/05/2026	-	2,434,907	(2,292,212)	142,695
			-	2,434,907	(2,292,212)	142,695

* WA Treasury Corporation

(d) Lease Liabilities

		Actual							Budget			
Purpose	Note	Principal at 1 July 2024	New Leases During 2024-25	Principal Repayments During 2024-25	Principal at 30 June 2025	New Leases During 2025-26	Principal Repayments During 2025-26	Principal at 30 June 2026	Principal at 1 July 2025	New Leases During 2025-26	Principal Repayments During 2025-26	Principal at 30 June 2026
		$	$	$	$	$	$	$	$	$	$	$
Motor vehicle		-	126,538	(13,973)	112,565	-	(23,574)	88,991	111,619	-	(23,617)	88,002
Gym Equipment		89,120	-	(18,588)	70,532	-	(19,438)	51,094	70,533	-	(19,439)	51,094
Total Lease Liabilities	11(b)	89,120	126,538	(32,561)	183,097	-	(43,012)	140,085	182,152	-	(43,056)	139,096

Lease Finance Cost Payments

Purpose	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2026	Budget for year ending 30 June 2026	Actual for year ending 30 June 2025	Lease Term
					$	$	$	
Motor vehicle		Toyota Fleet	4.58%	14/01/2030	(4,572)	(4,529)	(2,441)	60 months
Gym Equipment		Maia Financial	4.58%	31/12/2028	(2,853)	(2,853)	(3,704)	60 months
Total Finance Cost Payments					(7,425)	(7,382)	(6,145)	

SHIRE OF ESPERANCE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2026

29. RESERVE ACCOUNTS

	2026 Actual Opening Balance	2026 Actual Transfer to	2026 Actual Transfer (from)	2026 Actual Closing Balance	2026 Budget Opening Balance	2026 Budget Transfer to	2026 Budget Transfer (from)	2026 Budget Closing Balance	2025 Actual Opening Balance	2025 Actual Transfer to	2025 Actual Transfer (from)	2025 Actual Closing Balance
	$	$	$	$	$	$	$	$	$	$	$	$
Restricted by council												
(a) Land Purchase and Development	3,381,384	1,751,078	(186,440)	4,946,022	3,381,384	658,325	(3,093,528)	946,181	4,040,996	458,634	(1,118,246)	3,381,384
(b) Eastern Suburbs Water Pipeline	42,975	1,840	-	44,815	42,975	1,573	-	44,548	41,012	1,963	-	42,975
(c) Jetty	642,476	179,645	-	822,121	642,476	175,785	-	818,261	472,840	169,636	-	642,476
(d) Aerodrome	7,419,616	1,507,151	(546,193)	8,380,574	7,419,616	1,097,786	(858,460)	7,658,942	7,149,317	781,100	(510,801)	7,419,616
(e) Off Street Parking	611,746	26,184	-	637,930	611,746	22,391	-	634,137	583,798	27,948	-	611,746
(f) Sanitation (Rubbish Removal)	12,276,671	2,387,755	(6,069,623)	8,594,803	12,276,671	1,847,200	(12,183,459)	1,940,412	12,272,816	2,260,604	(2,256,749)	12,276,671
(g) Esperance Home Care Fundraising	1,768,365	315,400	(6,687)	2,077,078	1,768,365	38,997	(8,810)	1,798,552	1,016,734	751,631	-	1,768,365
(h) Plant Replacement	173,174	892,437	(116,555)	949,056	173,174	610,469	(80,186)	703,457	633,211	30,313	(490,350)	173,174
(i) Building Maintenance	2,841,961	567,854	(1,119,288)	2,290,527	2,841,961	178,304	(2,255,035)	765,230	2,991,316	595,411	(744,766)	2,841,961
(j) Employee Entitlements Long Service Leave	1,592,202	137,908	-	1,730,110	1,592,202	52,526		1,644,728	1,369,474	222,728	-	1,592,202
(k) Governance and Workers Compensation	329,242	88,357	(250,000)	167,599	329,242	92,121	(200,000)	221,363	218,433	210,856	(100,047)	329,242
(l) EHC Asset Replacement	608,819	25,644	(68,356)	566,107	608,819	20,253	(105,000)	524,072	591,602	28,322	(11,105)	608,819
(m) IT System and Process Development	132,750	57,098	(100,000)	89,848	132,750	59,241	(100,000)	91,991	76,583	56,167	-	132,750
(n) Esperance Home Care Annual Leave	274,015	33,406	-	307,421	274,015	12,800	-	286,815	333,730	15,977	(75,692)	274,015
(o) Esperance Home Care Long Service Leave	303,952	37,847	-	341,799	303,952	12,862	-	316,814	335,332	16,054	(47,434)	303,952
(p) Priority Projects	1,110,724	101,571	(56,499)	1,155,796	1,110,724	93,460	(97,355)	1,106,829	834,672	291,378	(15,326)	1,110,724
(q) Community Infrastructure	309,000	13,226	-	322,226	309,000	11,571	-	320,571	-	309,000	-	309,000
(r) Unspent Grants and Contributions	4,758,285	7,051,859	(4,758,285)	7,051,859	4,758,285	-	(4,758,285)	-	7,178,019	4,758,285	(7,178,019)	4,758,285
	38,577,357	15,176,260	(13,277,926)	40,475,691	38,577,357	4,985,664	(23,740,118)	19,822,903	40,139,885	10,986,007	(12,548,535)	38,577,357

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
(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
(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 2026

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
(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
(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
(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
(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
(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
(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
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30. TRUST FUNDS

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

	1 July 2025	Amounts Received	Amounts Paid	30 June 2026
	$	$	$	$
Contributions to Public Open Space	221,039	7,719	(228,758)	-
Other Deposits	12,136	-	-	12,136
General Bonds - Interest Bearing	765,645	34,226	(473,701)	326,170
	998,820	41,945	(702,459)	338,306

9. ELECTED MEMBERS

Nil

10. FINANCE UPDATE

Nil

11. CLOSURE

The Presiding Member declared the meeting closed at 10:57am.

These Minutes were confirmed at a meeting held on _____

Signed _____

Presiding Member at the meeting at which the Minutes were confirmed.

Dated_____