



**SHIRE OF BROOME**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

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Principal place of business:  
27 Weld Street  
BROOME WA 6725

SHIRE OF BROOME  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 3 day of October 2016

  
\_\_\_\_\_  
Kenn Donohoe  
Chief Executive Officer

**SHIRE OF BROOME**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	23	20,901,177	20,905,834	20,315,923
Operating grants, subsidies and contributions	30	2,859,677	3,415,487	11,430,825
Fees and charges	29	10,853,588	11,160,612	10,186,692
Interest earnings	2(a)	1,217,083	961,500	1,269,519
Other revenue	2(a)	1,015,412	1,081,000	1,327,269
		<u>36,846,937</u>	<u>37,524,433</u>	<u>44,530,228</u>
<b>Expenses</b>				
Employee costs		(15,497,472)	(16,125,604)	(16,365,611)
Materials and contracts	2(a)	(9,837,659)	(11,606,888)	(9,640,308)
Utility charges	2(a)	(1,660,524)	(1,950,830)	(1,661,442)
Depreciation on non-current assets	2(a)	(12,081,440)	(5,659,800)	(5,579,994)
Interest expenses	2(a)	(207,202)	(211,112)	(271,433)
Insurance expenses		(702,784)	(735,169)	(712,005)
Other expenditure		(1,959,690)	(2,241,296)	(5,973,524)
		<u>(41,946,771)</u>	<u>(38,530,699)</u>	<u>(40,204,317)</u>
		(5,099,834)	(1,006,266)	4,325,911
Non-operating grants, subsidies and contributions	30	4,770,198	16,083,572	3,099,710
Profit on asset disposals	21	6,424	47,890	18,102
(Loss) on asset disposals	21	(64,980)	(113,688)	(6,393)
(Loss) on revaluation of Infrastructure - Recreation Areas	7(b)	0	0	(8,022,651)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	325,066	0	0
<b>Net result</b>		<b>(63,126)</b>	<b>15,011,508</b>	<b>(585,321)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	0	0	209,005,187
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>209,005,187</b>
<b>Total comprehensive income</b>		<b>(63,126)</b>	<b>15,011,508</b>	<b>208,419,866</b>

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

**SHIRE OF BROOME**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		266,073	374,250	5,628,678
General purpose funding		22,242,126	22,148,718	23,808,634
Law, order, public safety		130,659	147,183	143,012
Health		188,156	168,300	185,763
Education and welfare		33,636	75,000	128,753
Housing		486,274	573,600	549,623
Community amenities		7,753,726	8,539,200	6,795,634
Recreation and culture		1,238,862	1,350,627	1,252,605
Transport		1,182,560	1,096,103	2,411,221
Economic services		830,954	889,754	1,006,342
Other property and services		2,493,911	2,161,698	2,619,963
		<u>36,846,937</u>	<u>37,524,433</u>	<u>44,530,228</u>
<b>Expenses</b>	2(a)			
Governance		(3,293,308)	(3,740,625)	(8,241,505)
General purpose funding		(381,142)	(245,850)	(380,972)
Law, order, public safety		(1,168,479)	(1,182,415)	(1,384,312)
Health		(679,897)	(780,115)	(723,080)
Education and welfare		(745,286)	(783,060)	(742,261)
Housing		(568,318)	(625,900)	(645,306)
Community amenities		(8,462,648)	(9,575,782)	(7,593,800)
Recreation and culture		(9,436,740)	(10,473,477)	(9,078,396)
Transport		(12,479,529)	(7,406,557)	(7,285,895)
Economic services		(1,516,684)	(1,706,010)	(1,392,884)
Other property and services		(3,007,538)	(1,799,796)	(2,464,473)
		<u>(41,739,569)</u>	<u>(38,319,587)</u>	<u>(39,932,884)</u>
<b>Finance costs</b>	2(a)			
Law, order, public safety		0	0	(253)
Community amenities		(2,139)	(2,155)	(4,868)
Recreation and culture		(196,109)	(199,405)	(235,159)
Economic services		(8,954)	(9,552)	(18,155)
Other property and services		0	0	(12,998)
		<u>(207,202)</u>	<u>(211,112)</u>	<u>(271,433)</u>
		(5,099,834)	(1,006,266)	4,325,911
Non-operating grants, subsidies and contributions	30	4,770,198	16,083,572	3,099,710
Profit on disposal of assets	21	6,424	47,890	18,102
(Loss) on disposal of assets	21	(64,980)	(113,688)	(6,393)
Fair value adjustments to financial assets at (Loss) on revaluation of Infrastructure - Recreation Areas	7(b)	0	0	(8,022,651)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	325,066	0	0
		<u>5,036,708</u>	<u>16,017,774</u>	<u>(4,911,232)</u>
<b>Net result</b>		<b>(63,126)</b>	<b>15,011,508</b>	<b>(585,321)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	0	0	209,005,187
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>	<b>209,005,187</b>
<b>Total comprehensive income</b>		<b>(63,126)</b>	<b>15,011,508</b>	<b>208,419,866</b>

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

**SHIRE OF BROOME**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	32,802,796	29,437,475
Trade and other receivables	4	2,767,937	2,441,296
Inventories	5	25,374	28,560
<b>TOTAL CURRENT ASSETS</b>		<u>35,596,107</u>	<u>31,907,331</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	17,498	17,498
Property, plant and equipment	6	88,879,451	88,618,790
Infrastructure	7	308,669,334	311,858,674
<b>TOTAL NON-CURRENT ASSETS</b>		<u>397,566,283</u>	<u>400,494,962</u>
<b>TOTAL ASSETS</b>		<u>433,162,390</u>	<u>432,402,293</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	4,145,800	2,672,294
Current portion of long term borrowings	9	868,715	988,046
Provisions	10	2,209,990	1,890,913
<b>TOTAL CURRENT LIABILITIES</b>		<u>7,224,505</u>	<u>5,551,253</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	9	2,911,981	3,780,696
Provisions	10	301,357	282,671
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>3,213,338</u>	<u>4,063,367</u>
<b>TOTAL LIABILITIES</b>		<u>10,437,843</u>	<u>9,614,620</u>
<b>NET ASSETS</b>		<u>422,724,547</u>	<u>422,787,673</u>
<b>EQUITY</b>			
Retained surplus		120,676,373	124,038,894
Reserves - cash backed	12	28,994,858	25,695,463
Revaluation surplus	13	273,053,316	273,053,316
<b>TOTAL EQUITY</b>		<u>422,724,547</u>	<u>422,787,673</u>

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

**SHIRE OF BROOME**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 30 June 2014</b>		<b>126,856,668</b>	<b>23,463,010</b>	<b>64,048,129</b>	<b>214,367,807</b>
Comprehensive income					
Net result		(585,321)	0	0	(585,321)
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>209,005,187</u>	<u>209,005,187</u>
Total comprehensive income		(585,321)	0	209,005,187	208,419,866
Transfers from/(to) reserves		(2,232,453)	2,232,453	0	0
<b>Balance as at 30 June 2015</b>		<b>124,038,894</b>	<b>25,695,463</b>	<b>273,053,316</b>	<b>422,787,673</b>
Comprehensive income					
Net result		(63,126)	0	0	(63,126)
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		(63,126)	0	0	(63,126)
Transfers from/(to) reserves		(3,299,395)	3,299,395	0	0
<b>Balance as at 30 June 2016</b>	13	<b><u>120,676,373</u></b>	<b><u>28,994,858</u></b>	<b><u>273,053,316</u></b>	<b><u>422,724,547</u></b>

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

**SHIRE OF BROOME**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		20,944,467	21,455,834	19,902,856
Operating grants, subsidies and contributions		2,510,747	4,469,987	11,728,038
Fees and charges		10,930,409	11,460,612	10,163,415
Interest earnings		1,217,083	961,500	1,269,548
Goods and services tax		2,753,498	3,201,417	3,246,778
Other revenue		1,027,616	26,500	1,326,744
		<u>39,383,820</u>	<u>41,575,850</u>	<u>47,637,379</u>
<b>Payments</b>				
Employee costs		(14,872,216)	(16,125,604)	(16,630,100)
Materials and contracts		(8,659,757)	(11,305,263)	(11,968,492)
Utility charges		(1,656,317)	(2,042,455)	(1,661,442)
Interest expenses		(211,112)	(211,112)	(281,675)
Insurance expenses		(702,784)	(735,169)	(712,005)
Goods and services tax		(2,863,525)	(3,001,417)	(3,494,381)
Other expenditure		(1,948,690)	(2,241,296)	(5,931,189)
		<u>(30,914,401)</u>	<u>(35,662,316)</u>	<u>(40,679,284)</u>
<b>Net cash provided by (used in) operating activities</b>	14(b)	<u>8,469,419</u>	<u>5,913,534</u>	<u>6,958,095</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(2,849,732)	(11,122,385)	(1,588,035)
Payments for construction of infrastructure		(6,254,609)	(19,835,117)	(5,350,835)
Non-operating grants, subsidies and contributions		4,770,198	16,083,572	3,099,710
Proceeds from sale of fixed assets		218,091	230,000	242,776
<b>Net cash provided by (used in) investment activities</b>		<u>(4,116,052)</u>	<u>(14,643,930)</u>	<u>(3,596,384)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(988,046)	(988,046)	(1,273,806)
Proceeds from self supporting loans		0	0	9,901
Proceeds from new debentures		0	5,076,722	0
<b>Net cash provided by (used in) financing activities</b>		<u>(988,046)</u>	<u>4,088,676</u>	<u>(1,263,905)</u>
<b>Net increase (decrease) in cash held</b>		3,365,321	(4,641,720)	2,097,806
Cash at beginning of year		29,437,475	25,845,909	27,339,669
<b>Cash and cash equivalents at the end of the year</b>	14(a)	<u><u>32,802,796</u></u>	<u><u>21,204,189</u></u>	<u><u>29,437,475</u></u>

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

**SHIRE OF BROOME**  
**RATE SETTING STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>	3,438,647	2,305,519	587,941
	<u>3,438,647</u>	<u>2,305,519</u>	<u>587,941</u>
<b>Revenue from operating activities (excluding rates)</b>			
Governance	266,073	374,250	5,628,678
General purpose funding	1,340,949	1,242,884	3,492,711
Law, order, public safety	130,659	147,183	143,012
Health	188,156	168,300	185,763
Education and welfare	33,636	75,000	128,753
Housing	486,274	573,600	549,623
Community amenities	7,753,726	8,539,200	6,795,634
Recreation and culture	1,238,862	1,350,627	1,252,605
Transport	1,182,560	1,096,103	2,411,221
Economic services	830,954	889,754	1,006,342
Other property and services	2,500,335	2,209,588	2,638,065
	<u>15,952,184</u>	<u>16,666,489</u>	<u>24,232,407</u>
<b>Expenditure from operating activities</b>			
Governance	(3,293,308)	(3,740,625)	(8,241,505)
General purpose funding	(381,142)	(245,850)	(380,972)
Law, order, public safety	(1,168,479)	(1,182,415)	(1,384,565)
Health	(679,897)	(780,115)	(723,080)
Education and welfare	(745,286)	(783,060)	(742,261)
Housing	(568,318)	(625,900)	(645,306)
Community amenities	(8,464,787)	(9,577,937)	(7,605,061)
Recreation and culture	(9,632,849)	(10,672,882)	(9,313,555)
Transport	(12,479,529)	(7,406,557)	(7,285,895)
Economic services	(1,525,638)	(1,715,562)	(1,411,039)
Other property and services	(3,072,518)	(1,913,484)	(2,477,471)
	<u>(42,011,751)</u>	<u>(38,644,387)</u>	<u>(40,210,710)</u>
<b>Operating activities excluded from budget</b>			
(Profit) on disposal of assets	21	(6,424)	(47,890)
Loss on disposal of assets	21	64,980	113,688
Movement in employee benefit provisions (non-current)		(325,667)	0
Depreciation and amortisation on assets	2(a)	12,081,440	5,659,800
<b>Amount attributable to operating activities</b>		<u>(10,806,591)</u>	<u>(13,946,781)</u>
<b>Investing Activities</b>			
Non-operating grants, subsidies and contributions		4,770,198	16,083,572
Proceeds from disposal of assets	21	218,091	230,000
Purchase of property, plant and equipment	6(b)	(2,849,732)	(11,122,385)
Purchase and construction of infrastructure	7(b)	(6,254,609)	(19,835,117)
<b>Amount attributable to investing activities</b>		<u>(4,116,052)</u>	<u>(14,643,930)</u>
<b>Financing Activities</b>			
Repayment of debentures	22(a)	(988,046)	(988,046)
Proceeds from new debentures	22(a)	0	5,076,722
Proceeds from self supporting loans		0	0
Transfers to reserves (restricted assets)	12	(7,356,102)	(3,812,439)
Transfers from reserves (restricted assets)	12	4,056,707	7,350,187
<b>Amount attributable to financing activities</b>		<u>(4,287,441)</u>	<u>7,626,424</u>
<b>Surplus (deficiency) before general rates</b>		<u>(19,210,084)</u>	<u>(16,877,276)</u>
<b>Total amount raised from general rates</b>	23	<u>20,901,177</u>	<u>20,905,834</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	24	<u><b>1,691,093</b></u>	<u><b>(58,453)</b></u>
		<u><u>3,438,647</u></u>	<u><u>587,941</u></u>

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



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

**(b) 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.

**(c) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Cash and Cash Equivalents (continued)**

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

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land held for sale***

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

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

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

**(f) Fixed Assets**

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

***Mandatory requirement to revalue non-current assets***

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

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

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

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

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Land under control***

In accordance with Local Government (Financial Management) Regulation 16(a), the Shire was required to include as an asset (by 30 June 2013), Crown Land operated by the local government as a golf course, showground, racecourse or other sporting or recreational facility of State or Regional significance.

Upon initial recognition, these assets were recorded at cost in accordance with AASB 116. They were then classified as Land and revalued along with other land in accordance with the other policies detailed in this Note.

***Initial recognition and measurement between mandatory revaluation dates***

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

***Revaluation***

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

***Land under roads***

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

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

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

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

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

***Depreciation***

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

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

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

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

Item	Estimated Useful Life	Annual Dep'n Rate
Vehicles (High Use 1 year replacement program)	4 years	25.00%
Ride on Mowers	5 years	20.00%
Cars & Light Vehicles (2 to 3 replacement program)	6.67 years	15.00%
Trucks Small 2-5 tonne	6.67 years	15.00%
Trucks Medium 6-12 tonne	8 years	12.50%
Trucks Heavy >12 tonne & Medium Plant	10 years	10.00%
Plant Heavy, Graders, Scrapers, Dozers, etc	12 years	8.33%
Plant Portable (regular use)	5 years	20.00%
Plant Other (low use and/or long life)	16 years	6.25%
Computer Equipment (hardware/software)	4 years	25.00%
Furniture & Equipment	10 years	10.00%
Building Plant & Air Conditioning	15 years	6.67%
Buildings	40 years	2.50%
Buildings - Long Life Structures Infrastructure Fixed:	50 years	2.00%
Formation & Earthworks (roads, reserves, landfill)	100 years	1.00%
Pavement (roads, car parks, reserves, landfill)	40 years	2.50%
Seals Asphalt	25 Years	4.00%
Seals Bitumen	15 Years	6.67%
Road Plant & Bus Shelters	20 years	5.00%
Bridges	80 years	1.25%
Drainage facilities	60 years	1.67%
Footpaths, Dual Use Paths	50 years	2.00%

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

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

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

***Capitalisation threshold***

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

**(g) Fair Value of Assets and Liabilities**

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

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

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

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

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

***Fair value hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Fair Value of Assets and Liabilities (continued)**

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of

observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

***Valuation techniques***

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

**Market approach**

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

**Income approach**

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

**Cost approach**

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the 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.

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

**(h) Financial Instruments**

***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Shire becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (continued)**

***Classification and subsequent measurement***

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

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

***Classification and subsequent measurement (continued)***

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

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

***(ii) Loans and receivables***

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

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

***(iii) Held-to-maturity investments***

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

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

***(iv) Available-for-sale financial assets***

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (continued)**

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

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

*(v) Financial liabilities*

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

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) 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.



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Impairment of Assets (continued)**

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

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

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

**(j) Trade and Other Payables**

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

**(k) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations 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 BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Borrowing Costs**

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

**(m) 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.

**(n) Leases**

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

**(o) Investment in Associates**

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

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

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

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

**(q) Rates, Grants, Donations and Other Contributions**

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

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

**(r) 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.

**(s) Current and Non-Current Classification**

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

**(t) Rounding Off Figures**

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

**(u) Comparative Figures**

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(u) Comparative Figures (continued)**

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

**(v) Budget Comparative Figures**

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.  The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
			Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations  [AASB 1 & AASB 11]	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.  Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.  Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15.  It will require changes to reflect the impact of AASB 15.
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.  This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.  It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.  The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(x) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>2. REVENUE AND EXPENSES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net result includes:		
(i) Charging as an expense:		
<b>Significant expense</b>		
Governance - CLGF Key Worker Housing	0	4,795,477
Governance - Other	<u>0</u>	<u>3,446,028</u>
<b>Auditors remuneration</b>		
- Audit of the Annual Financial Report - Current	12,655	0
- Audit of the Annual Financial Report - Previous	31,704	35,332
- Other	<u>6,490</u>	<u>22,636</u>
	<u>50,849</u>	<u>57,968</u>
<b>Utility Charges</b>		
For the financial year ended 30 June 2015 and 30 June 2016, a change to the classification of telephone charges was made. Telephone charges had previously been reported as a utility charge. These charges are now classified as materials and contracts.		
<b>Depreciation</b>		
Buildings - non-specialised	1,507,561	1,536,947
Furniture and Equipment	293,642	352,384
Plant and Equipment	836,288	750,829
Infrastructure - Roads	6,843,729	2,254,365
Infrastructure - Carparks, Footpaths & Bridges	866,575	0
Infrastructure - Drainage	941,210	148,272
Infrastructure - Recreation Areas	206,652	389,203
Infrastructure - Other	<u>585,783</u>	<u>147,994</u>
	<u>12,081,440</u>	<u>5,579,994</u>
<b>Interest expenses (finance costs)</b>		
Debentures (refer Note 22 (a))	<u>207,202</u>	<u>271,433</u>
	<u>207,202</u>	<u>271,433</u>
<b>Rental charges</b>		
- Operating leases	<u>504,327</u>	<u>565,569</u>
	<u>504,327</u>	<u>565,569</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>2. REVENUE AND EXPENSES (Continued)</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result (Continued)</b>		
(ii) Crediting as revenue:		
<b>Other revenue</b>		
Reimbursements and recoveries	998,392	1,295,420
Significant revenue (refer above)	0	0
Other	17,020	31,849
	<u>1,015,412</u>	<u>1,327,269</u>

For the financial year ended 30 June 2015, the amounts reported in Note 2(a) as Reimbursements and recoveries were incorrectly reported in the Statement of Comprehensive Income as Operating grants, subsidies and contributions. Reimbursements and recoveries have been reclassified and reported as Other Revenue.

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest earnings</b>			
- Loans receivable - clubs/institutions	0	0	297
- Reserve funds	705,734	567,500	779,283
- Other funds	218,422	177,000	240,516
Other interest revenue (refer note 28)	292,927	217,000	249,423
	<u>1,217,083</u>	<u>961,500</u>	<u>1,269,519</u>

**(b) Statement of Objective**

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

**COMMUNITY VISION**

A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our unique natural and built environment.

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

**GOVERNANCE**

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

**GENERAL PURPOSE FUNDING**

Rates, general purpose government grants and interest revenue.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**LAW, ORDER, PUBLIC SAFETY**

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

**HEALTH**

Food quality, eating house inspection, pest control and child health clinics.

**EDUCATION AND WELFARE**

Facilities for senior citizens aged care, infant, day care centres, pre-school; assistance to play group and other community services and development activities.

**HOUSING**

Provision of staff housing.

**COMMUNITY AMENITIES**

Rubbish collection services, tip operation, administration of the town planning scheme, maintenance of cemeteries, storm water drainage maintenance, sanitation maintenance and environmental protection.

**RECREATION AND CULTURE**

Operation/maintenance of halls, Broome Recreation and Aquatic Centre (BRAC), various parks and reserves, beaches, library, museum and other cultural activities.

**TRANSPORT**

Construction and maintenance of streets, roads, bridges, footpaths and street lighting.

**ECONOMIC SERVICES**

The regulation and provision of tourism facilities, area promotion and building control.

**OTHER PROPERTY AND SERVICES**

Private works and provision of unclassified civic building facilities. General Administration support for Council's operations, allocated to other functions. Engineering, works and parks and gardens management, allocated to construction and maintenance jobs. Plant and depot operation and maintenance, allocated to construction and maintenance jobs.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**2. REVENUE AND EXPENSES (Continued)**

**(c) Conditions Over Grants/Contributions**

Grant/Contribution	Function/ Activity	Opening Balance <sup>(1)</sup> 1/07/14 \$	Received <sup>(2)</sup> 2014/15 \$	Expended <sup>(3)</sup> 2014/15 \$	Closing Balance <sup>(1)</sup> 30/06/15 \$	Received <sup>(2)</sup> 2015/16 \$	Expended <sup>(3)</sup> 2015/16 \$	Closing Balance <sup>(4)</sup> 30/06/16 \$
Don't Zoom in Broome Project Grant	Governance	2,096			2,096	0	0	2,096
EDL sponsorship and spent	Governance	357,426	13,430	(77,029)	293,827	9,472	(67,264)	236,035
DLGC National Youth Week Grant	Governance	247	0	0	247	0	0	247
FESA State Emergency Service & Volunteer Bush Fire Bridgade Operational and Grant funding	Law, Order & Public Safety	17,093	0	0	17,093	0	0	17,093
Clean Up Aboriginal Communities Operational Grant	Health	16,136	0	0	16,136	0	0	16,136
Department of Health - FIMMWA Mosquito Control Advisory Committee Funding for Mosquito control	Health	7,446	21,200	(25,106)	3,540	38,029	(38,029)	3,540
Office of Crime Prevention Grant - Community Safety & Crime Prevention Plan & LGA Partnership Fund - Initiative Lighting Up Anne St Precinct	Education & Welfare	3,837	0	0	3,837	0	(5)	3,832
Department of Attorney-General - Hypernight Grant	Education & Welfare	2,500	0	0	2,500	0	0	2,500
Care of Families & Children Grants - Broome Iterants Strategy	Education & Welfare	9,507	0	0	9,507	0	0	9,507
OTCAM Donation for Broome Cemetery Committee from Mollie Bean	Community Amenities	150	0	0	150	0	0	150
Department of Regional Development - Northern Planning Fund - Land Use Supply Officer	Community Amenities	89,176	0	(89,176)	0	0	0	0
Rangelands NRM Water Quality Monitoring Program - Protection of Environment	Community Amenities	1,091	0	0	1,091	0	0	1,091
Rangelands NRM State of the Environment Report - Protection of Environment	Community Amenities	28,200	0	(28,200)	0	0	0	0
DLG Grant Chinatown Development Grant Job 107671 (Public Shade Chinatown)	Community Amenities	83,157	0	(83,157)	0	0	0	0
DRD Grant CLGF 2012/2013 Funding Allocation job 116129 (Jetty to Jetty Project Design & Construction, Feasibility & Planning)	Community Amenities	21,433	0	(21,433)	0	0	0	0
Local Government RforR 12-13 Grant - BRAC Aquatic - Exp job 117127	Recreation & Culture	500	0	(500)	0	0	0	0
Parks and Ovals Grants - Lions Club BBQ grant.	Recreation & Culture	330	0	0	330	0	0	330
State Library of WA - Library Grant	Recreation & Culture	2,107	21,544	(17,971)	5,680	28,824	(15,238)	19,266
Swimming Areas & Beaches - Entrance Point Jetty Planning Grant RBFS	Recreation & Culture	38,300	0	0	38,300	0	0	38,300
Grant from Sport 4 All - Kidsport Grant	Recreation & Culture	35,639	33,250	(64,639)	4,250	50,000	(44,432)	9,818
Road Maintenance - Office Native Title Morrell Park maintenance	Transport	279,237	0	(8,163)	271,074	0	(20,000)	251,074
Roads to Recovery Unspent Grant re Clementson St Upgrade Infra Stage 3	Transport	14,104	0	0	14,104	0	0	14,104
Roads to Recovery Unspent Grant re Unallocated	Transport	23,101	0	0	23,101	0	0	23,101
Royalties for Regions Grant Lorricket Drive	Transport	0	200,000	(59,245)	140,755	0	0	140,755
Street Lighting Const Grant Undergrnd Power C/Town Upgrade	Transport	48	0	0	48	0	0	48
MRD Grant Remote Access Road Grant - (Broome - Cape Leveque Road)	Transport	1,006	0	0	1,006	0	0	1,006
WALGA Grant Road Safety Activities	Transport	1,200	0	0	1,200	0	0	1,200
Frederick Street and Dampier St Connection - Urban New Infra	Transport	0	300,000	0	300,000	0	(300,000)	0
Sanderling/ Spoonbill Pedestrian Improvements - Upgrade Rd Const	Transport	0	21,333	0	21,333	0	(21,333)	0
Tourism Grants - Visitors Center & Railway Line Project	Economic Services	50,000	0	0	50,000	0	0	50,000
Perth Royal Show - Guest Town Promotion Contributions	Economic Services	5,659	110,000	(115,659)	0	0	0	0
WA POLICE HEADQUARTERS Community Safety Grant - (New Visitor Centre Building Upgrade CCTV)	Other Property & Services	2,035	0	0	2,035	0	(2,035)	0
Key Worker Housing	Housing	0	561,758	(5,916)	555,842	0	(555,842)	0
Landcorp Development Contributions Plan and Scheme Amendment	Community Amenities	0	0	0	0	200,000	(48,019)	151,981
Department of Planning Coastal Hazard Risk Management and Adaption Plan	Community Amenities	0	0	0	0	40,000	(9,427)	30,573
Landcorp Development Contribution BRAC aquatic upgrade	Recreation & Culture	0	0	0	0	1,035,000	(78,117)	956,883
Rio Tinto Contribution Apprentice Incubation Programme	Other Property & Services	0	0	0	0	33,142	(15,923)	17,219
<b>Total</b>		<b>1,092,761</b>	<b>1,282,515</b>	<b>(596,194)</b>	<b>1,779,082</b>	<b>1,434,467</b>	<b>(1,215,664)</b>	<b>1,997,885</b>

**Notes:**

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

(4) - Includes \$1,621,095 of Unspent Grants held in Restricted Cash Reserve at 30 June 2016 (\$1,344,500 at 30 June 2015), \$140,755 held in the Road Reserve at 30 June 2016 (\$140,755 at 30 June 2015), and \$236,035 held in the EDL Reserve at 30 June 2016 (\$293,826 at 30 June 2015).

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		3,807,938	3,742,012
Restricted		<u>28,994,858</u>	<u>25,695,463</u>
		<u><u>32,802,796</u></u>	<u><u>29,437,475</u></u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Leave Reserve	12	1,445,633	1,789,986
Building Reserve	12	3,775,847	2,922,793
Public Open Space Reserve	12	860,010	731,954
Drainage Reserve	12	1,620,493	1,637,697
Plant Reserve	12	1,476,655	1,047,874
BRAC (Leisure Centre) Reserve	12	51,495	49,887
Road Reserve	12	2,222,495	1,616,575
Footpath Reserve	12	2,231,163	2,450,843
Car Park Reserve	12	459,387	445,040
IT & Equipment Reserve	12	312,797	303,028
Refuse Site Reserve	12	4,175,520	4,053,026
Resource Recovery Park Reserve	12	7,216,863	4,243,919
Restricted Cash Reserve - Including unspent			
Loans & Grants	12	2,534,220	3,254,336
Community Sponsorship Reserve	12	45,287	30,193
EDL Reserve	12	236,034	293,826
Kimberley Zone Reserve	12	176,835	670,331
Public Art Reserve	12	154,124	154,155
		<u><u>28,994,858</u></u>	<u><u>25,695,463</u></u>

**4. TRADE AND OTHER RECEIVABLES**

**Current**

Rates outstanding	852,624	895,914
Sundry debtors	1,437,118	1,234,471
GST receivable	363,160	253,133
Bonds and Deposits held by others	43,949	45,767
Other current Receivables	<u>71,086</u>	<u>12,011</u>
	<u><u>2,767,937</u></u>	<u><u>2,441,296</u></u>

**Non-current**

Rates outstanding - pensioners	<u>17,498</u>	<u>17,498</u>
	<u><u>17,498</u></u>	<u><u>17,498</u></u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	\$	\$
<b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel and materials	22,607	24,355
BRAC Stock	2,767	4,205
	<u>25,374</u>	<u>28,560</u>
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Land - freehold at:		
- Independent valuation 2014 - level 3	5,820,000	5,820,000
- Additions after valuation - cost	256,247	0
	<u>6,076,247</u>	<u>5,820,000</u>
Land - vested in and under the control of Council at:		
- Cost	16,076,532	16,076,532
	<u>16,076,532</u>	<u>16,076,532</u>
Total Land	<u>22,152,779</u>	<u>21,896,532</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 3	59,724,538	59,724,538
- Additions after valuation - cost	652,969	0
- Current year additions after valuation - cost	561,846	652,969
Less: accumulated depreciation	(3,044,508)	(1,536,947)
	<u>57,894,845</u>	<u>58,840,560</u>
Total Buildings	<u>57,894,845</u>	<u>58,840,560</u>
Total Land and Buildings	<u>80,047,624</u>	<u>80,737,092</u>
Furniture and Equipment at:		
- Management valuation 2015 - level 3	847,395	847,395
- Additions after valuation - cost	477,724	0
Less accumulated depreciation	(293,642)	0
	<u>1,031,477</u>	<u>847,395</u>
Plant and Equipment at:		
- Management valuation 2013 - level 3	0	6,916,450
- Management valuation 2016 - level 3	7,131,265	0
- Additions after valuation - cost	0	1,359,185
Less accumulated depreciation	0	(1,410,101)
	<u>7,131,265</u>	<u>6,865,534</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
Work in Progress - Land & Buildings at:		
- C/Forward	168,769	294,987
- Additions after valuation - cost	428,115	121,154
- Transfer of Works in Progress	(5,916)	(247,372)
Less accumulated amortisation	0	0
	<b>590,968</b>	<b>168,769</b>
 Work in Progress - Plant & Equipment at:		
- Additions after valuation - cost	78,117	0
Less accumulated depreciation	0	0
	<b>78,117</b>	<b>0</b>
 Total Property, Plant and Equipment	<b>88,879,451</b>	<b>88,618,790</b>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	5,820,000	256,247	0	0	0	0	0	0	6,076,247
Land - vested in and under the control of Council	16,076,532	0	0	0	0	0	0	0	16,076,532
<b>Total land</b>	<b>21,896,532</b>	<b>256,247</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,152,779</b>
Buildings - non-specialised	58,840,560	555,930	0	0	0	0	(1,507,561)	5,916	57,894,845
<b>Total buildings</b>	<b>58,840,560</b>	<b>555,930</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,507,561)</b>	<b>5,916</b>	<b>57,894,845</b>
<b>Total land and buildings</b>	<b>80,737,092</b>	<b>812,177</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,507,561)</b>	<b>5,916</b>	<b>80,047,624</b>
Furniture and Equipment	847,395	477,724	0	0	0	0	(293,642)	0	1,031,477
Plant and Equipment	6,865,534	1,053,599	(276,646)	0	325,066	0	(836,288)	0	7,131,265
Work in Progress - Land & Buildings	168,769	428,115	0	0	0	0	0	(5,916)	590,968
Work in Progress - Plant & Equipment	0	78,117	0	0	0	0	0	0	78,117
<b>Total property, plant and equipment</b>	<b>88,618,790</b>	<b>2,849,732</b>	<b>(276,646)</b>	<b>0</b>	<b>325,066</b>	<b>0</b>	<b>(2,637,491)</b>	<b>0</b>	<b>88,879,451</b>



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and Buildings</b>					
Land - freehold	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2014	Sales comparisons (level 2 inputs)
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2014	At cost
Buildings - non-specialised	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2014	Sales comparisons per lettable area (level 2 inputs), depreciated replacement cost per unit area and estimated useful life (Level 3 inputs)
<b>Furniture and Equipment</b>	3	Market approach using recent observable market data for similar assets	Management valuation	June 2015	Market price per item, adjusted for condition and comparability
<b>Plant and Equipment</b>					
- Management valuation 2013	3	Market Approach using recent observable market data for similar assets	Management valuation	June 2013	Current replacement cost (market price per item) and condition assessment (level 2 inputs), residual values & estimated useful life (Level 3 inputs)
- Management valuation 2016	3	Market Approach using recent observable market data for similar assets	Management valuation	June 2016	Current replacement cost (market price per item) and condition assessment (level 2 inputs), residual values & estimated useful life (Level 3 inputs)

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

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

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015
	\$	\$
<b>7 (a). INFRASTRUCTURE</b>		
Infrastructure - Roads		
- Management valuation 2015 - level 3	323,849,950	323,849,950
- Additions after valuation - cost	1,965,174	0
- Current year additions after valuation - cost	4,460,787	1,965,174
Less accumulated depreciation	<u>(99,194,928)</u>	<u>(92,351,199)</u>
	231,080,983	233,463,925
Infrastructure - Carparks, Footpaths & Bridges		
- Management valuation 2015 - level 3	48,127,680	48,127,680
- Additions after valuation - cost	623,241	0
- Current year additions after valuation - cost	491,439	623,241
Less accumulated depreciation	<u>(19,271,595)</u>	<u>(18,405,020)</u>
	29,970,765	30,345,901
Infrastructure - Drainage		
- Management valuation 2015 - level 3	65,843,215	65,843,215
- Additions after valuation - cost	360,282	0
- Current year additions after valuation - cost	1,048,092	360,282
Less accumulated depreciation	<u>(25,985,819)</u>	<u>(25,044,609)</u>
	41,265,770	41,158,888
Infrastructure - Recreation Areas		
- Management valuation 2015 - level 3	3,883,913	3,883,913
- Additions after valuation - cost	1,215,579	0
- Current year additions after valuation - cost	127,352	1,215,579
Less accumulated depreciation	<u>(2,603,181)</u>	<u>(2,396,529)</u>
	2,623,663	2,702,963
Infrastructure - Other		
- Management valuation 2015 - level 3	5,869,936	5,869,936
- Additions after valuation - cost	621,563	0
- Current year additions after valuation - cost	185,495	621,563
Less accumulated depreciation	<u>(3,793,873)</u>	<u>(3,208,090)</u>
	2,883,121	3,283,409
Work in Progress - Roads, F/Path & Bridges		
- C/Forward	109,532	64,882
- Additions cost	19,487	109,532
- Transfer of Works in Progress	(109,532)	(64,882)
Less accumulated depreciation	<u>0</u>	<u>0</u>
	19,487	109,532

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>7 (a). INFRASTRUCTURE (Continued)</b>		
Work in Progress - Recreation Areas Infrastructure		
- C/Forward	0	30,390
- Transfer of Works in Progress	0	(30,390)
Less accumulated depreciation	0	0
	0	0
 Work in Progress - Drainage Infrastructure		
- C/Forward	78,334	0
- Additions cost	0	78,334
- Transfer of Works in Progress	(78,334)	0
Less accumulated depreciation	0	0
	0	78,334
 Work in Progress - Other Infrastructure		
- C/Forward	715,722	243,319
- Additions cost	109,823	507,971
- Transfer of Works in Progress	0	(35,568)
Less accumulated depreciation	0	0
	825,545	715,722
 Total Infrastructure	308,669,334	311,858,674

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires infrastructure to be shown at fair value.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**7. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	233,463,925	4,369,841	0	0	0	0	(6,843,729)	90,946	231,080,983
Infrastructure - Carparks, Footpaths & Bric	30,345,901	472,853	0	0	0	0	(866,575)	18,586	29,970,765
Infrastructure - Drainage	41,158,888	969,758	0	0	0	0	(941,210)	78,334	41,265,770
Infrastructure - Recreation Areas	2,702,963	127,352	0	0	0	0	(206,652)	0	2,623,663
Infrastructure - Other	3,283,409	185,495	0	0	0	0	(585,783)	0	2,883,121
Work in Progress - Roads, F/Path & Bridg	109,532	19,487	0	0	0	0	0	(109,532)	19,487
Work in Progress - Drainage Infrastructure	78,334	0	0	0	0	0	0	(78,334)	0
Work in Progress - Other Infrastructure	715,722	109,823	0	0	0	0	0	0	825,545
<b>Total infrastructure</b>	<b>311,858,674</b>	<b>6,254,609</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,443,949)</b>	<b>0</b>	<b>308,669,334</b>

In the Financial Statements for the year ended 30 June 2015 the revaluation decrement of \$8,022,651 for the asset class 'Infrastructure - Recreational Areas' was incorrectly netted against revaluation increments for all other infrastructure classes and was included in the Revaluation Surplus instead of being recognised in the Statement of Comprehensive Income. A prior year adjustment has been made to correctly recognise the Revaluation Decrement of \$8,022,651 in the Statement of Comprehensive Income.

**SHIRE OF BROOME**  
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**7. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Infrastructure - Roads</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Carparks, Footpaths &amp; Bridges</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Drainage</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Recreation Areas</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Other</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Work in Progress - Roads, F/Path &amp; Bridges</b>	3	Cost approach using depreciated replacement cost	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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.

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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	2,979,535	2,175,911
Accrued interest on debentures	7,968	11,878
Accrued salaries and wages	499,031	253,675
ATO liabilities	45,021	2,884
Excess Rates	181,158	177,552
Prepaid Rent, Grants and Services	33,182	0
Accrued Expenses	399,905	50,394
	<u>4,145,800</u>	<u>2,672,294</u>

**9. LONG-TERM BORROWINGS**

**Current**

Secured by floating charge

    Debentures

	<u>868,715</u>	<u>988,046</u>
	<u>868,715</u>	<u>988,046</u>

**Non-current**

Secured by floating charge

    Debentures

	<u>2,911,981</u>	<u>3,780,696</u>
	<u>2,911,981</u>	<u>3,780,696</u>

Additional detail on borrowings is provided in Note 22.

**10. PROVISIONS**

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
<b>Opening balance at 1 July 2015</b>			
Current provisions	1,194,871	696,042	1,890,913
Non-current provisions	0	282,671	282,671
	<u>1,194,871</u>	<u>978,713</u>	<u>2,173,584</u>
Additional provision	(21,342)	12,152	(9,190)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	115,847	231,106	346,953
<b>Balance at 30 June 2016</b>	<u>1,289,376</u>	<u>1,221,971</u>	<u>2,511,347</u>
<b>Comprises</b>			
Current	1,289,376	920,614	2,209,990
Non-current	0	301,357	301,357
	<u>1,289,376</u>	<u>1,221,971</u>	<u>2,511,347</u>

**SHIRE OF BROOME**  
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**12. RESERVES - CASH BACKED**

	<b>Actual 2016 Opening Balance \$</b>	<b>Actual 2016 Transfer to \$</b>	<b>Actual 2016 Transfer (from) \$</b>	<b>Actual 2016 Closing Balance \$</b>	<b>Budget 2016 Opening Balance \$</b>	<b>Budget 2016 Transfer to \$</b>	<b>Budget 2016 Transfer (from) \$</b>	<b>Budget 2016 Closing Balance \$</b>	<b>Actual 2015 Opening Balance \$</b>	<b>Actual 2015 Transfer to \$</b>	<b>Actual 2015 Transfer (from) \$</b>	<b>Actual 2015 Closing Balance \$</b>
Leave Reserve	1,789,986	113,139	(457,492)	1,445,633	1,789,986	51,200	0	1,841,186	1,725,163	64,823	0	1,789,986
Building Reserve	2,922,793	1,128,576	(275,522)	3,775,847	3,565,435	114,400	(1,576,114)	2,103,721	2,832,185	208,877	(118,269)	2,922,793
Public Open Space Reserve	731,954	128,056	0	860,010	783,554	22,200	0	805,754	1,195,098	44,961	(508,105)	731,954
Drainage Reserve	1,637,697	52,796	(70,000)	1,620,493	1,583,245	44,600	(70,000)	1,557,845	1,729,997	79,528	(171,828)	1,637,697
Plant Reserve	1,047,874	428,781	0	1,476,655	1,047,873	224,600	0	1,272,473	1,055,260	39,614	(47,000)	1,047,874
BRAC (Leisure Centre) Reserve	49,887	1,608	0	51,495	61,079	100	0	61,179	58,867	2,212	(11,192)	49,887
Road Reserve	1,616,575	902,128	(296,208)	2,222,495	1,189,712	29,300	(371,333)	847,679	1,146,835	528,368	(58,628)	1,616,575
Footpath Reserve	2,450,843	79,010	(298,690)	2,231,163	2,376,060	65,300	(318,748)	2,122,612	2,818,311	126,176	(493,644)	2,450,843
Car Park Reserve	445,040	14,347	0	459,387	384,840	11,300	0	396,140	397,832	75,178	(27,970)	445,040
IT & Equipment Reserve	303,028	9,769	0	312,797	303,028	8,500	0	311,528	291,662	11,366	0	303,028
Refuse Site Reserve	4,053,026	130,660	(8,166)	4,175,520	3,798,887	90,900	(1,363,708)	2,526,079	4,640,534	758,725	(1,346,233)	4,053,026
Resource Recovery Park Reserve	4,243,919	3,157,994	(185,050)	7,216,863	3,676,789	3,129,139	(600,000)	6,205,928	2,005,562	2,415,652	(177,295)	4,243,919
Restricted Cash Reserve	3,254,336	1,175,809	(1,895,925)	2,534,220	2,698,758	0	(2,698,758)	0	2,769,059	888,538	(403,261)	3,254,336
Community Sponsorship Reserve	30,193	15,094	0	45,287	11,923	200	0	12,123	11,498	18,695	0	30,193
EDL Reserve	293,826	9,472	(67,264)	236,034	318,826	7,500	(80,000)	246,326	357,425	13,430	(77,029)	293,826
Kimberley Zone Reserve	670,331	3,894	(497,390)	176,835	417,247	13,200	(266,526)	163,921	427,722	242,609	0	670,331
Public Art Reserve	154,155	4,969	(5,000)	154,124	154,155	0	(5,000)	149,155	0	154,155	0	154,155
	<u>25,695,463</u>	<u>7,356,102</u>	<u>(4,056,707)</u>	<u>28,994,858</u>	<u>24,161,397</u>	<u>3,812,439</u>	<u>(7,350,187)</u>	<u>20,623,649</u>	<u>23,463,010</u>	<u>5,672,907</u>	<u>(3,440,454)</u>	<u>25,695,463</u>

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 to this financial report.

**SHIRE OF BROOME**  
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**12. RESERVES - CASH BACKED (continued)**

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

<b>Name of Reseve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
Building Reserve	Ongoing	To be used for renewal, upgrade, replacement or new building construction and associated infrastructure
Public Open Space Reserve	Ongoing	To be used for renewal, upgrade, replacement or new public open space facilities and garden areas associated with buildings and other freely accessible public recreational facilities. Any contributions from developers are held in Trust.
Drainage Reserve	Ongoing	To be used for the renewal, upgrade or construction of drainage services. Typically funds are from contributions made by developers.
Plant Reserve	Ongoing	To be used for the renewal, upgrade or purchase of new mobile plant and engineering
BRAC (Leisure Centre) Reserve	Ongoing	To be used for the construction of recreation infrastructure and facilities.
Road Reserve	Ongoing	To be used for renewal, upgrade or new streets and roads.
Footpath Reserve	Ongoing	To be used for renewal, upgrade or new footpaths. Typically funds are from contributions made by developers.
Car Park Reserve	Ongoing	To be used for renewal, upgrade or new carparks. Typically funds are from "Cash In Lieu" payments from developers.
IT & Equipment Reserve	Ongoing	To be used for renewal, upgrade or new office equipment, IT hardware and software.
Refuse Site Reserve	Ongoing	To be used for the current and future costs of maintaining and closing the refuse site in accordance with operational needs and environmental guidelines.
Resource Recovery Park Reserve	Ongoing	To hold funds set aside annually and any year end operational profit generated from refuse site business unit to fund: <ul style="list-style-type: none"> <li>i) The future construction of a new facility;</li> <li>ii) the future subsequent and ongoing costs of maintaining the site in accordance with operational requirements and environmental guidelines; or</li> <li>iii) the costs of future rehabilitation of the site.</li> </ul>
Restricted Cash Reserve	Ongoing	To be used for unspent grant and loan funds.
Community Sponsorship Reserve	Ongoing	To hold funds remaining as at 30 June after allocation of both Annual and Ad-hoc sponsorships and external donations to be spent on both annual and ad-
EDL Reserve	Ongoing	To hold funds to be spent on community projects as approved by Energy Development Limited.
Kimberley Zone Reserve	Ongoing	To hold funds set aside annually to fund future projects and initiatives for the Kimberley Zone of WALGA and/or Regional Collaborative Groups.
Public Art Reserve	Ongoing	To hold funds set aside annually to fund future public art projects and initiatives within the Shire.



**SHIRE OF BROOME**  
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**13. REVALUATION SURPLUS**

	2016	2016	2016	2016	2016	2015	2015	2015	2015	2015
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	Decrement	Movement on	Balance	Balance	Increment	Decrement	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	35,691,909	0	0	0	35,691,909	35,691,910	0	0	0	35,691,909
Furniture and Equipment	439,874	0	0	0	439,874	0	439,874	0	439,874	439,874
Infrastructure - Roads	180,313,246	0	0	0	180,313,246	28,356,220	151,957,026	0	151,957,026	180,313,246
Infrastructure - Carparks, Footpaths & Bridges	22,251,434	0	0	0	22,251,434	0	22,251,434	0	22,251,434	22,251,434
Infrastructure - Drainage	34,087,407	0	0	0	34,087,407	0	34,087,407	0	34,087,407	34,087,407
Infrastructure - Other	269,446	0	0	0	269,446	0	269,446	0	269,446	269,446
	<u>273,053,316</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>273,053,316</u>	<u>64,048,130</u>	<u>209,005,187</u>	<u>0</u>	<u>209,005,187</u>	<u>273,053,316</u>

Movements on revaluation of fixed assets are not able to be reliably attributed to a program as the assets were revalued by class 'as provided for by AASB 116 Aus 40.1.

In the Financial Statements for the year ended 30 June 2015, the revaluation increment against the Asset Revaluation Surplus for Infrastructure was incorrectly disclosed. The revaluation decrement of \$8,022,651 was incorrectly disclosed as a reduction to the revaluation surplus when it should have been recognised as an expense in the Statement of Comprehensive Income.

This had the effect of increasing the asset revaluation surplus by \$8,022,651 to \$273,053,328 and decreasing the retained surplus balance by \$8,022,651 to \$124,038,990. A prior year adjustment has been made to correctly recognise the Revaluation Decrement of \$8,022,651 in the Statement of Comprehensive Income.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**14. 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:

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Cash and cash equivalents	<u>32,802,796</u>	<u>21,204,189</u>	<u>29,437,475</u>

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

Net result	(63,126)	15,011,508	(585,321)
Non-cash flows in Net result:			
Depreciation	12,081,440	5,659,800	5,579,994
(Profit)/Loss on sale of asset	58,556	65,798	(11,709)
Fair value adjustments to fixed assets			
at fair value through profit or loss	0	0	8,022,651
Reversal of Loss on revaluation of fixed assets	(325,066)	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(326,641)	1,050,000	(367,842)
(Increase)/Decrease in inventories	3,186	(10,000)	16,785
Increase/(Decrease) in payables	1,473,505	220,000	(2,292,922)
Increase/(Decrease) in provisions	337,763	0	(303,831)
Grants contributions for			
the development of assets	<u>(4,770,198)</u>	<u>(16,083,572)</u>	<u>(3,099,710)</u>
Net cash from operating activities	<u>8,469,419</u>	<u>5,913,534</u>	<u>6,958,095</u>

**(c) Undrawn Borrowing Facilities**  
**Credit Standby Arrangements**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Bank overdraft limit	700,000	700,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	<u>(1,728)</u>	<u>0</u>
<b>Total amount of credit unused</b>	<u>723,272</u>	<u>725,000</u>

**Loan facilities**

Loan facilities - current	868,715	988,046
Loan facilities - non-current	<u>2,911,981</u>	<u>3,780,696</u>
<b>Total facilities in use at balance date</b>	<u>3,780,696</u>	<u>4,768,742</u>

**Unused loan facilities at balance date**

<u>NIL</u>	<u>NIL</u>
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**SHIRE OF BROOME**  
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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>15. CONTINGENT LIABILITIES</b>		
Shinju Matsuri Loan/Overdraft Guarantee	15,000	15,000
	15,000	15,000

**16. CAPITAL AND LEASING COMMITMENTS**

**(a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	216,613	226,093
- later than one year but not later than five years	0	0
- later than five years	0	0
	216,613	226,093

**(b) Capital Expenditure Commitments**

Contracted for:

- capital expenditure projects	3,028,607	294,334
- plant & equipment purchases	241,093	301,861

Payable:

- not later than one year	856,586	596,195
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**30 June 2016**

**Mobile Plant and Equipment**

Turf Renovator replacement

Trailer Flatbed

Trailer Polmac Caged Tipper

**Other Plant and Equipment**

BRAC Pool Upgrade

**Infrastructure Construction**

Waste Facility Weighbridge

Bin renewal Program (Contract 14/01)

Roebuck Bay Caravan Park - Fencing and civil road maintenance

KRO2 Building upgrade

KRO Building Construction - Project Management

Town Beach Water Park Shade Sail

Depot Building Upgrade

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**17. JOINT VENTURE ARRANGEMENTS**

The Shire is not involved in any joint venture arrangements.

**18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	412,869	964,157
General purpose funding	7,212,279	7,909,758
Law, order, public safety	791,753	871,124
Health	14,749	17,314
Education and welfare	0	358
Housing	3,648,734	2,942,434
Community amenities	56,244,312	53,328,212
Recreation and culture	37,699,329	38,154,512
Transport	267,152,269	269,957,795
Economic services	9,084,132	8,208,460
Other property and services	32,954,063	32,472,021
Unallocated	17,947,901	17,576,148
	<u>433,162,390</u>	<u>432,402,293</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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	2016	2015	2014
<b>19. FINANCIAL RATIOS</b>			
Current ratio	1.14	1.65	0.90
Asset sustainability ratio	0.29	0.50	0.58
Debt service cover ratio	5.97	6.59	4.06
Operating surplus ratio	(0.14)	(0.11)	0.01
Own source revenue coverage ratio	0.81	0.82	0.86

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 64 of this document.

Three of the 2014 ratios disclosed above are distorted by items of significant revenue and expenses relating to the initial recognition of Buildings on land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$1,756,875. This forms part of operating revenue.

These items of significant revenue and expenditure are considered "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2014 column would be disclosed as below.

Two of the 2016 and 2015 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$1,486,197.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015	2014
Debt service cover ratio	7.21	5.63	2.95
Operating surplus ratio	(0.10)	(0.16)	(0.05)
Own source revenue coverage ratio	0.81	0.82	0.82

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**20. TRUST FUNDS**

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

	1 July 2015	Amounts Received	Amounts Paid	30 June 2016
	\$	\$	(\$)	\$
Footpath Damage Deposits	32,276	0	0	32,276
Library Transient Borrower Deposits	2,950	0	(40)	2,910
Election Nomination Deposits	0	960	(960)	0
Other General Purpose Deposits	8,493	0	0	8,493
BCITF Collection & Refund Deposits	8,587	95,610	(98,487)	5,710
Town Planning Related Bond Deposits	146,207	(40,000)	0	106,207
Cemetery Plot Reservation Deposits	19,453	9,593	0	29,046
Recreation Facility use Bond Deposits	11,573	21,652	(10,975)	22,250
Road & Footpath Facilities Bond Deposits	758,505	0	(251,559)	506,946
Capital Works Bond Deposits	3,060	0	0	3,060
Cash In Lieu Of Public Open Space	99,876	0	0	99,876
Bank Guarantee Deposits Received	52,618	0	(36,187)	16,431
BRB Levy	5,797	67,629	(65,594)	7,832
Unclaimed Monies	19,971	1,328	0	21,299
Staff Rental Bonds	40,484	4,264	(19,342)	25,406
Key Deposits	2,020	0	0	2,020
Chinatown Revitalisation DRD Grant	0	11,000,512	0	11,000,512
	<u>1,211,870</u>	<u>11,161,548</u>	<u>(483,144)</u>	<u>11,890,274</u>

**21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Plant and Equipment</b>								
Other property and services	276,647	218,091	6,424	(64,980)	295,798	230,000	47,890	(113,688)
	<u>276,647</u>	<u>218,091</u>	<u>6,424</u>	<u>(64,980)</u>	<u>295,798</u>	<u>230,000</u>	<u>47,890</u>	<u>(113,688)</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**22. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July 2015		Loans	Actual	Budget	Actual	Budget	Actual
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Community amenities</b>								
Millington Road Drainage Construction	45,294	0	45,294	45,294	0	0	2,139	2,155
<b>Recreation and culture</b>								
BRAC (Recreation Centre) Stage 1	209,066	0	101,089	101,089	107,977	107,977	12,156	12,342
BRAC Stage 2A	303,750	0	147,211	147,211	156,539	156,539	14,352	16,693
BRAC Stage 2B (Car Park & Oval Completion)	221,661	0	50,286	50,286	171,375	171,375	13,389	13,415
Civic Centre Redevelopment	3,165,270	0	400,887	400,887	2,764,383	2,764,383	120,935	121,108
BRAC Pavillion	634,151	0	91,038	91,038	543,113	543,113	35,277	35,847
<b>Economic services</b>								
Visitors Centre Construction	117,156	0	117,156	117,156	0	0	5,533	5,573
Visitor Centre Stage 2	72,394	0	35,085	35,085	37,309	37,309	3,421	3,979
	<u>4,768,742</u>	<u>0</u>	<u>988,046</u>	<u>988,046</u>	<u>3,780,696</u>	<u>3,780,696</u>	<u>207,202</u>	<u>211,112</u>

Self supporting loan financed by payments from third parties.

All other loan repayments were financed by general purpose revenue.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**22. INFORMATION ON BORROWINGS (Continued)**

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 15 \$	Borrowed	Expended	Balance 30 June 16 \$
			During Year \$	During Year \$	
Loan # 193 Civic Centre Redevelopment	Jun 2012	1,909,837	0	(996,712)	913,125
		<u>1,909,837</u>	<u>0</u>	<u>(996,712)</u>	<u>913,125</u>

(d) Overdraft

Council has utilised an overdraft facility during previous financial years with a maximum amount of \$700,000 with the Commonwealth Bank. The overdraft is established to cover periods when there are delays in receiving funding at the beginning/end of financial years or in the event of uncleared or undeposited funds. It is anticipated that this facility will not be required to be utilised during budget year prior to the due date of the rates.

Shire holds one Corporate Credit Card with a maximum limit of \$25,000 from the Commonwealth Bank and is used to procure goods & services typically requiring a credit card such as travel, accommodation and IT equipment.



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**23. RATING INFORMATION - 2015/16 FINANCIAL YEAR**

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
GRV - Residential	9.3990	4,587	115,758,692	10,762,616	80,652	20,296	10,863,564	10,755,244	0	40,000	10,795,244
GRV - Residential - Vacant	15.2200	172	2,575,320	361,873	20,658	5,259	387,790	381,696	0	0	381,696
GRV - Commercial	10.3800	578	53,619,412	5,524,198	(20,216)	(62,738)	5,441,245	5,509,672	0	0	5,509,672
GRV - Tourism	14.7150	417	16,211,460	2,385,517	0	0	2,385,517	2,453,080	0	0	2,453,080
GRV - Exempt	0.0000	831	2,892,033	0	(44,740)	(13,663)	(58,403)	0	0	0	0
<b>Unimproved value valuations</b>											
UV - Rural	0.5836	139	85,609,000	483,821	5,313	106	489,240	504,839	0	0	504,839
UV - Mining	12.2250	42	1,660,144	202,953	(16,606)	94,678	281,025	202,997	0	0	202,997
UV - Commercial Rural	2.9656	34	8,579,646	233,112	42,942	2,276	278,330	227,887	0	0	227,887
UV - Exempt	0.0000	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>		6,800	286,905,707	19,954,090	68,003	46,213	20,068,307	20,035,415	0	40,000	20,075,415
<b>Minimum payment</b>	<b>\$</b>										
<b>Gross rental value valuations</b>											
GRV - Residential	1,224	144	3,543,562	176,256	0	0	176,256	110,160	0	0	110,160
GRV - Residential - Vacant	1,224	199	1,282,135	243,576	0	0	243,576	302,328	0	0	302,328
GRV - Commercial	1,224	13	542,116	15,912	0	0	15,912	18,360	0	0	18,360
GRV - Tourism	1,224	412	1,880,840	504,288	0	0	504,288	504,288	0	0	504,288
<b>Unimproved value valuations</b>											
UV - Rural	1,224	5	1,311,300	6,120	0	0	6,120	4,896	0	0	4,896
UV - Mining	1,224	36	(179,568)	44,064	0	0	44,064	47,736	0	0	47,736
UV - Commercial Rural	1,224	13	1,566,687	15,912	0	0	15,912	15,912	0	0	15,912
<b>Sub-Total</b>		822	9,947,072	1,006,128	0	0	1,006,128	1,003,680	0	0	1,003,680
		<b>7,622</b>	<b>296,852,779</b>	<b>20,960,218</b>	<b>68,003</b>	<b>46,213</b>	<b>21,074,435</b>	<b>21,039,095</b>	<b>0</b>	<b>40,000</b>	<b>21,079,095</b>
Discounts/concessions (refer note 27)							(173,258)				(173,261)
<b>Total amount raised from general rate</b>							<b>20,901,177</b>				<b>20,905,834</b>
<b>Totals</b>							<b>20,901,177</b>				<b>20,905,834</b>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**24. NET CURRENT ASSETS**

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 15 brought forward</b>	1,691,093	3,438,647	3,438,647
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	3,807,938	3,742,012	3,742,012
Restricted	28,994,858	25,695,463	25,695,463
Receivables			
Rates outstanding	852,625	895,914	895,914
Sundry debtors	1,437,118	1,234,471	1,234,471
GST receivable	363,160	253,133	253,133
Bonds and Deposits held by others	43,949	45,767	45,767
Other current Receivables	71,086	12,011	12,011
Inventories			
Fuel and materials	22,607	24,355	24,355
BRAC Stock	2,767	4,205	4,205
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(2,979,535)	(2,175,911)	(2,175,911)
Accrued interest on debentures	(7,968)	(11,878)	(11,878)
Accrued salaries and wages	(499,031)	(253,675)	(253,675)
ATO liabilities	(45,021)	(2,884)	(2,884)
Excess Rates	(181,158)	(177,552)	(177,552)
Prepaid Rent, Grants and Services	(33,182)	0	0
Accrued Expenses	(399,905)	(50,394)	(50,394)
Current portion of long term borrowings			
Secured by floating charge	(868,715)	(988,046)	(988,046)
Provisions			
Provision for annual leave	(1,289,376)	(1,194,871)	(1,194,871)
Provision for long service leave	(920,614)	(696,042)	(696,042)
<b>Unadjusted net current assets</b>	<b>28,371,603</b>	<b>26,356,078</b>	<b>26,356,078</b>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(28,994,858)	(25,695,463)	(25,695,463)
Less: Leave Liability not expected to be paid within 12 months	1,445,633	1,789,986	1,789,986
Add: Secured by floating charge	868,715	988,046	988,046
<b>Adjusted net current assets - surplus/(deficit)</b>	<b>1,691,093</b>	<b>3,438,647</b>	<b>3,438,647</b>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**24. NET CURRENT ASSETS (Continued)**

**Difference**

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**25. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR**

The Shire did not impose any Specified Area Rates.

**26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR**

The Shire did not impose any service charges.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2015/16 FINANCIAL YEAR**

**Rates Discounts**

Rate or Fee Discount Granted	Discount % or \$	Actual \$	Budget \$	Circumstances in which Discount is Granted
General Rates	Nil	0	0	
Minimum Rate	Nil	0	0	
		<u>0</u>	<u>0</u>	

**Waivers or Concessions**

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual \$	Budget \$
General Rates	Concession	48%	119,524	119,537
General Rates	Concession	27%	51,509	51,499
General Rates	Concession	11%	2,225	2,225
			<u>173,258</u>	<u>173,261</u>
<b>Other Waivers</b>				
Penalty Interest	Write Offs		43,054	2,000

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS**  
**- 2015/16 FINANCIAL YEAR (Continued)**

<b>Rate or Fee and Charge to which the Waiver or Concession is Granted</b>	<b>Circumstances in which the Waiver or Concession is Granted and to whom it was available</b>	<b>Objects &amp; reasons for the Waiver or Concession</b>
UV - Coconut Wells	48% concession on all properties on unimproved values (UV) in the locality of Coconut Well	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.
UV - Twelve Mile	27% concession on all properties on unimproved values (UV) in the locality of Twelve Mile.	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.
UV - Horticulture Land Use	11% concession on all properties on unimproved values (UV) with Horticulture Land Use.	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>
<b>Instalment Options</b>				
<b>Option One</b>				
Single full payment	05-Oct-15			11.00%
<b>Option Two</b>				
First Instalment	05-Oct-15	7	5.50%	11.00%
Second Instalment	08-Feb-16	7	5.50%	11.00%
<b>Option Three</b>				
First Instalment	05-Oct-15	7	5.50%	11.00%
Second Instalment	07-Dec-15	7	5.50%	11.00%
Third Instalment	08-Feb-16	7	5.50%	11.00%
Fourth Instalment	08-Apr-16	7	5.50%	11.00%
			<b>Revenue</b>	<b>Budgeted Revenue</b>
			<b>\$</b>	<b>\$</b>
Interest on unpaid rates			188,420	120,000
Interest on instalment plan			104,507	97,000
Charges on instalment plan			38,276	36,000
Debt Clearance Letter			0	250
Reissue rates Notice			505	1,000
			<b>331,708</b>	<b>254,250</b>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>29. FEES &amp; CHARGES</b>		
Governance	90	0
General purpose funding	72,966	63,759
Law, order, public safety	106,584	100,871
Health	149,304	164,440
Housing	482,988	547,472
Community amenities	6,983,333	6,340,976
Recreation and culture	958,120	952,475
Transport	39,571	19,779
Economic services	719,320	725,623
Other property and services	1,341,312	1,271,297
	<u>10,853,588</u>	<u>10,186,692</u>

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

**30. GRANT REVENUE**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature or Type:</b>		
<b>Operating grants, subsidies and contributions</b>		
Governance	237,500	5,531,105
General purpose funding	886,669	3,109,161
Law, order, public safety	0	2,380
Health	38,852	21,323
Education and welfare	33,636	30,000
Community amenities	376,363	90,000
Recreation and culture	198,330	195,459
Transport	971,984	2,227,120
Economic services	0	110,000
Other property and services	116,343	114,277
	<u>2,859,677</u>	<u>11,430,825</u>
<b>Non-operating grants, subsidies and contributions</b>		
Housing	0	561,758
Community amenities	111,200	87,080
Recreation and culture	1,497,500	402,682
Transport	3,161,498	1,748,190
Economic services	0	300,000
	<u>4,770,198</u>	<u>3,099,710</u>
	<u>7,629,875</u>	<u>14,530,535</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>31. EMPLOYEE NUMBERS</b>		
The number of full-time equivalent employees at balance date	131	141

	<b>2016</b>	<b>2016</b>		<b>2015</b>
	<b>\$</b>	<b>Budget</b>		<b>\$</b>
<b>32. ELECTED MEMBERS REMUNERATION</b>				
The following fees, expenses and allowances were paid to council members and/or the president.				
Meeting Fees	153,715	158,749		150,252
President's allowance	46,350	46,350		46,350
Deputy President's allowance	11,587	11,587		13,791
Travelling expenses	11,237	58,000		34,338
Telecommunications and IT Allowances	30,899	31,950		29,750
	253,788	306,636		274,481

**33. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2015/16 financial year."

**34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.



**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**35. FINANCIAL RISK MANAGEMENT**

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

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

Financial risk management is carried out by the finance area under policies approved by the Council.

*The Shire held the following financial instruments at balance date:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	32,802,796	29,437,475	32,802,796	29,437,475
Receivables	<u>2,785,435</u>	<u>2,458,794</u>	<u>2,785,435</u>	<u>2,458,794</u>
	<u><u>35,588,231</u></u>	<u><u>31,896,269</u></u>	<u><u>35,588,231</u></u>	<u><u>31,896,269</u></u>
<b>Financial liabilities</b>				
Payables	4,145,800	2,672,294	4,145,800	2,672,294
Borrowings	<u>3,780,696</u>	<u>4,768,742</u>	<u>3,780,696</u>	<u>4,768,742</u>
	<u><u>7,926,496</u></u>	<u><u>7,441,036</u></u>	<u><u>7,926,496</u></u>	<u><u>7,441,036</u></u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

**Financial assets at fair value through profit and loss**

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

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

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- Equity	3,280,280	2,943,748
- Statement of Comprehensive Income	3,280,280	2,943,748
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	328,028	294,375
- Statement of Comprehensive Income	328,028	294,375

*Notes:*

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible market movements.

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Receivables**

The Shire's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt.

The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

The Shire makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

The profile of the Shire's credit risk at balance date was:

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	2%	1%
- Overdue	98%	99%
Percentage of other receivables		
- Current	83%	63%
- Overdue	17%	37%

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**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.

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2016</u></b>					
Payables	4,145,800	0	0	4,145,800	4,145,800
Borrowings	1,028,980	2,722,923	521,995	4,273,898	3,780,696
	<u>5,174,780</u>	<u>2,722,923</u>	<u>521,995</u>	<u>8,419,698</u>	<u>7,926,496</u>
<b><u>2015</u></b>					
Payables	2,672,294	0	0	2,672,294	2,672,294
Borrowings	1,215,180	4,367,462	1,188,775	6,771,417	4,768,742
	<u>3,887,474</u>	<u>4,367,462</u>	<u>1,188,775</u>	<u>9,443,711</u>	<u>7,441,036</u>

**SHIRE OF BROOME**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**35. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**

**Borrowings (continued)**

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

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

	<b>&lt;1 year</b>	<b>&gt;1&lt;2 years</b>	<b>&gt;2&lt;3 years</b>	<b>&gt;3&lt;4 years</b>	<b>&gt;4&lt;5 years</b>	<b>&gt;5 years</b>	<b>Total</b>	<b>Weighted Average Effective Interest Rate</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<b><u>Year ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	301,825	0	171,375	0	543,115	2,764,382	3,780,696	4.53%
Weighted average Effective interest rate	6.40%	0.00%	6.41%	0.00%	5.86%	3.95%		
<b><u>Year ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	747,659	0	221,661	0	3,799,422	4,768,742	4.70%
Weighted average Effective interest rate	0.00%	6.38%	0.00%	6.41%	0.00%	4.27%		

Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

[www.moorestephenswa.com.au](http://www.moorestephenswa.com.au)

## **INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF BROOME**

### **REPORT ON THE FINANCIAL REPORT**

We have audited the accompanying financial report of the Shire of Broome, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

#### ***Management's Responsibility for the Financial Report***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

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

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

## INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF BROOME (CONTINUED)

### *Report On Other Legal and Regulatory Requirements*

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 64 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS  
CHARTERED ACCOUNTANTS



DAVID TOMASI  
PARTNER

Signed at Perth this 4th day of October 2016.

**SHIRE OF BROOME  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2016**

**RATIO INFORMATION**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Asset consumption ratio	0.721	0.735	0.703
Asset renewal funding ratio	1.670	0.533	2.114

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$