



SHIRE OF BROOME

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2017

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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 2017

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 supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 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 3rd day of October 2017



Sam Mastrolemba
Chief Executive Officer

SHIRE OF BROOME
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	21,460,516	21,704,976	20,901,177
Operating grants, subsidies and contributions	30	5,648,655	3,319,212	2,859,677
Fees and charges	29	10,258,332	10,967,172	10,853,588
Service charges	26	0	0	0
Interest earnings	2(a)	1,259,609	1,082,159	1,217,083
Other revenue	2(a)	1,302,012	940,469	1,015,412
		<u>39,929,124</u>	<u>38,013,988</u>	<u>36,846,937</u>
Expenses				
Employee costs		(15,172,581)	(15,988,493)	(15,497,472)
Materials and contracts		(10,121,183)	(9,597,457)	(9,837,659)
Utility charges		(1,962,519)	(1,947,115)	(1,660,524)
Depreciation on non-current assets	2(a)	(12,516,081)	(7,506,341)	(12,081,440)
Interest expenses	2(a)	(156,172)	(198,337)	(207,202)
Insurance expenses		(682,631)	(707,205)	(702,784)
Other expenditure		(2,676,014)	(2,452,231)	(1,959,690)
		<u>(43,287,181)</u>	<u>(38,397,179)</u>	<u>(41,946,771)</u>
		(3,358,057)	(383,191)	(5,099,834)
Non-operating grants, subsidies and contributions	30	6,053,541	6,858,963	4,770,198
Profit on asset disposals	21	34,930	26,240	6,424
(Loss) on asset disposals	21	(633,730)	(127,024)	(64,980)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	0	0	325,066
Net result		2,096,684	6,374,988	(63,126)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(1,077,029)	0	0
Total other comprehensive income		(1,077,029)	0	0
Total comprehensive income		1,019,655	6,374,988	(63,126)

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 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		54,475	33,596	266,073
General purpose funding		24,786,401	23,998,076	22,242,126
Law, order, public safety		128,322	141,330	130,659
Health		168,774	162,800	188,156
Education and welfare		63,506	105,160	33,636
Housing		564,628	565,175	486,274
Community amenities		7,388,752	7,869,568	7,753,726
Recreation and culture		1,220,824	947,964	1,238,862
Transport		1,733,578	1,198,610	1,182,560
Economic services		1,397,653	900,805	830,954
Other property and services		2,422,211	2,090,904	2,493,911
		<u>39,929,124</u>	<u>38,013,988</u>	<u>36,846,937</u>
Expenses	2(a)			
Governance		(2,583,023)	(2,821,051)	(3,293,308)
General purpose funding		(563,491)	(243,543)	(381,142)
Law, order, public safety		(1,343,709)	(1,287,485)	(1,168,479)
Health		(750,071)	(748,175)	(679,897)
Education and welfare		(693,032)	(837,221)	(745,286)
Housing		(596,007)	(602,040)	(568,318)
Community amenities		(8,984,885)	(9,408,081)	(8,462,648)
Recreation and culture		(9,366,355)	(10,140,199)	(9,436,740)
Transport		(12,086,715)	(7,989,860)	(12,479,529)
Economic services		(2,733,315)	(1,609,798)	(1,516,684)
Other property and services		(3,430,406)	(2,511,389)	(3,007,538)
		<u>(43,131,009)</u>	<u>(38,198,842)</u>	<u>(41,739,569)</u>
Finance costs	2(a)			
Community amenities		0	0	(2,139)
Recreation and culture		(155,010)	(161,775)	(196,109)
Economic services		(1,162)	(1,755)	(8,954)
Other property and services		0	(34,807)	0
		<u>(156,172)</u>	<u>(198,337)</u>	<u>(207,202)</u>
		<u>(3,358,057)</u>	<u>(383,191)</u>	<u>(5,099,834)</u>
Non-operating grants, subsidies and contributions	30	6,053,541	6,858,963	4,770,198
Profit on disposal of assets	21	34,930	26,240	6,424
(Loss) on disposal of assets	21	(633,730)	(127,024)	(64,980)
Reversal of prior year loss on revaluation of plant and equipment	6(b)	0	0	325,066
Net result		<u>2,096,684</u>	<u>6,374,988</u>	<u>(63,126)</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(1,077,029)	0	0
Total other comprehensive income		<u>(1,077,029)</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u>1,019,655</u>	<u>6,374,988</u>	<u>(63,126)</u>

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

SHIRE OF BROOME
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	37,606,384	32,802,796
Trade and other receivables	4	1,732,889	2,767,937
Inventories	5	36,645	25,374
TOTAL CURRENT ASSETS		<u>39,375,918</u>	<u>35,596,107</u>
NON-CURRENT ASSETS			
Other receivables	4	17,061	17,498
Property, plant and equipment	6	89,365,233	88,879,451
Infrastructure	7	304,126,067	308,669,334
TOTAL NON-CURRENT ASSETS		<u>393,508,361</u>	<u>397,566,283</u>
TOTAL ASSETS		<u>432,884,279</u>	<u>433,162,390</u>
CURRENT LIABILITIES			
Trade and other payables	8	3,754,062	4,145,800
Current portion of long term borrowings	9	592,743	868,715
Provisions	10	2,025,744	2,209,990
TOTAL CURRENT LIABILITIES		<u>6,372,549</u>	<u>7,224,505</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	2,319,237	2,911,981
Provisions	10	448,291	301,357
TOTAL NON-CURRENT LIABILITIES		<u>2,767,528</u>	<u>3,213,338</u>
TOTAL LIABILITIES		<u>9,140,077</u>	<u>10,437,843</u>
NET ASSETS		<u>423,744,202</u>	<u>422,724,547</u>
EQUITY			
Retained surplus		120,385,478	120,676,373
Reserves - cash backed	12	31,382,437	28,994,858
Revaluation surplus	13	271,976,287	273,053,316
TOTAL EQUITY		<u>423,744,202</u>	<u>422,724,547</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 2017

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		124,038,894	25,695,463	273,053,316	422,787,673
Comprehensive income					
Net result		(63,126)	0	0	(63,126)
Changes on revaluation of assets	13	0	0	0	0
Total comprehensive income		(63,126)	0	0	(63,126)
Transfers from/(to) reserves		(3,299,395)	3,299,395	0	0
Balance as at 30 June 2016		120,676,373	28,994,858	273,053,316	422,724,547
Comprehensive income					
Net result		2,096,684	0	0	2,096,684
Changes on revaluation of assets	13	0	0	(1,077,029)	(1,077,029)
Total comprehensive income		2,096,684	0	(1,077,029)	1,019,655
Transfers from/(to) reserves		(2,387,579)	2,387,579	0	0
Balance as at 30 June 2017		120,385,478	31,382,437	271,976,287	423,744,202

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 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		21,408,835	21,704,976	20,944,467
Operating grants, subsidies and contributions		6,393,803	4,254,681	2,510,747
Fees and charges		10,421,270	10,967,172	10,930,409
Interest earnings		1,259,609	1,082,159	1,217,083
Goods and services tax		3,439,022	150,000	2,753,498
Other revenue		1,303,511	5,000	1,027,616
		<u>44,226,050</u>	<u>38,163,988</u>	<u>39,383,820</u>
Payments				
Employee costs		(15,300,415)	(15,988,493)	(14,864,732)
Materials and contracts		(10,500,083)	(9,597,457)	(8,667,241)
Utility charges		(1,914,013)	(1,947,115)	(1,656,317)
Interest expenses		(160,265)	(198,337)	(211,112)
Insurance expenses		(682,631)	(707,205)	(702,784)
Goods and services tax		(3,261,441)	0	(2,863,525)
Other expenditure		(2,654,014)	(2,452,231)	(1,948,690)
		<u>(34,472,862)</u>	<u>(30,890,838)</u>	<u>(30,914,401)</u>
Net cash provided by (used in) operating activities	14(b)	<u>9,753,188</u>	<u>7,273,150</u>	<u>8,469,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(5,949,799)	(14,430,276)	(2,849,732)
Payments for construction of infrastructure		(4,715,706)	(6,729,861)	(6,254,609)
Non-operating grants, subsidies and contributions		6,053,541	6,858,963	4,770,198
Proceeds from sale of fixed assets		531,080	501,000	218,091
Net cash provided by (used in) investment activities		<u>(4,080,884)</u>	<u>(13,800,174)</u>	<u>(4,116,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(868,716)	(972,483)	(988,046)
Proceeds from new debentures		0	4,297,298	0
Net cash provided by (used in) financing activities		<u>(868,716)</u>	<u>3,324,815</u>	<u>(988,046)</u>
Net increase (decrease) in cash held		4,803,588	(3,202,209)	3,365,321
Cash at beginning of year		32,802,796	30,561,780	29,437,475
Cash and cash equivalents at the end of the year	14(a)	<u><u>37,606,384</u></u>	<u><u>27,359,571</u></u>	<u><u>32,802,796</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 2017

NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)	<u>1,691,093</u>	<u>601,252</u>	<u>3,438,647</u>
	1,691,093	601,252	3,438,647
Revenue from operating activities (excluding rates)			
Governance	54,475	47,491	266,073
General purpose funding	3,325,885	2,293,100	1,340,949
Law, order, public safety	140,221	141,330	130,659
Health	168,774	162,800	188,156
Education and welfare	63,506	105,160	33,636
Housing	564,628	565,175	486,274
Community amenities	7,388,752	7,869,927	7,753,726
Recreation and culture	1,233,086	948,765	1,238,862
Transport	1,733,578	1,198,610	1,182,560
Economic services	1,397,653	900,805	830,954
Other property and services	2,432,980	2,102,089	2,500,335
	<u>18,503,538</u>	<u>16,335,252</u>	<u>15,952,184</u>
Expenditure from operating activities			
Governance	(2,593,397)	(2,821,051)	(3,293,308)
General purpose funding	(563,491)	(243,543)	(381,142)
Law, order, public safety	(1,343,709)	(1,287,485)	(1,168,479)
Health	(752,209)	(750,445)	(679,897)
Education and welfare	(693,032)	(837,221)	(745,286)
Housing	(596,007)	(602,040)	(568,318)
Community amenities	(9,099,038)	(9,442,112)	(8,464,787)
Recreation and culture	(9,525,343)	(10,301,974)	(9,632,849)
Transport	(12,086,715)	(7,989,860)	(12,479,529)
Economic services	(2,737,337)	(1,611,553)	(1,525,638)
Other property and services	(3,930,633)	(2,636,919)	(3,072,518)
	<u>(43,920,911)</u>	<u>(38,524,203)</u>	<u>(42,011,751)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	21	(34,930)	(6,424)
Loss on disposal of assets	21	633,730	64,980
Movement in deferred pensioner rates (non-current)		437	0
Movement in employee benefit provisions (non-current)		94,089	(325,667)
Depreciation and amortisation on assets	2(a)	12,516,081	7,506,341
		<u>12,516,081</u>	<u>12,081,440</u>
Amount attributable to operating activities		<u>(10,516,873)</u>	<u>(10,806,591)</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		6,053,541	4,770,198
Proceeds from disposal of assets	21	531,080	218,091
Purchase of property, plant and equipment	6(b)	(5,949,799)	(2,849,732)
Purchase and construction of infrastructure	7(b)	(4,715,706)	(6,254,609)
Amount attributable to investing activities		<u>(4,080,884)</u>	<u>(4,116,052)</u>
FINANCING ACTIVITIES			
Repayment of debentures	22(a)	(868,716)	(988,046)
Proceeds from new debentures	22(a)	0	0
Transfers to reserves (restricted assets)	12	(6,524,128)	(7,356,102)
Transfers from reserves (restricted assets)	12	4,136,549	4,056,707
Amount attributable to financing activities		<u>(3,256,295)</u>	<u>(4,287,441)</u>
Surplus(deficiency) before general rates		<u>(17,854,052)</u>	<u>(19,210,084)</u>
Total amount raised from general rates	23	21,460,516	20,901,177
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>3,606,464</u></u>	<u><u>0</u></u>
		<u><u>0</u></u>	<u><u>1,691,093</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 2017

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.

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 1996* 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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

In accordance with Local Government (Financial Management) Regulation 16(a)(ii), 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. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset class previously recognised in profit and loss. Decreases that offset previous increases of the same asset are recognised against 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.

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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.

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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1996* 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.

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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

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.

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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

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.

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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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. However, AASB 123 allows a not-for profit public sector entity to recognise borrowing costs as an expense in the period in which it is incurred regardless of how the borrowings are applied.

(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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 2017

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 ⁽¹⁾	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 2019	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. 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.

Notes:

⁽¹⁾ 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 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES	2017	2016	
	\$	\$	
(a) Net Result			
The Net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
- Audit of the Annual Financial Report	27,056	44,359	
- Other	<u>13,834</u>	<u>6,490</u>	
	<u>40,890</u>	<u>50,849</u>	
Depreciation			
Buildings - non-specialised	1,522,284	1,507,561	
Furniture and equipment	430,635	293,642	
Plant and equipment	1,092,163	836,288	
Infrastructure - Roads	6,541,085	6,843,729	
Infrastructure - Carparks, Footpaths & Bridges	1,005,221	866,575	
Infrastructure - Drainage	1,120,882	941,210	
Infrastructure - Recreation Areas	163,842	206,652	
Infrastructure - Other	<u>639,969</u>	<u>585,783</u>	
	<u>12,516,081</u>	<u>12,081,440</u>	
Interest expenses (finance costs)			
Debentures (refer Note 22 (a))	<u>156,172</u>	<u>207,202</u>	
	<u>156,172</u>	<u>207,202</u>	
Rental charges			
- Operating leases	<u>516,373</u>	<u>504,327</u>	
	<u>516,373</u>	<u>504,327</u>	
(ii) Crediting as revenue:			
Other revenue			
Reimbursements and recoveries	1,297,159	998,392	
Other	<u>4,853</u>	<u>17,020</u>	
	<u>1,302,012</u>	<u>1,015,412</u>	
	<u>1,302,012</u>	<u>1,015,412</u>	
	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	754,170	627,159	705,734
- Other funds	194,518	225,000	218,422
Other interest revenue (refer note 28)	<u>310,921</u>	<u>230,000</u>	<u>292,927</u>
	<u>1,259,609</u>	<u>1,082,159</u>	<u>1,217,083</u>
	<u>1,259,609</u>	<u>1,082,159</u>	<u>1,217,083</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, the Shire 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

Objective:

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

Objective:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

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

HEALTH

Objective:

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

EDUCATION AND WELFARE

Objective:

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

HOUSING

Objective:

Provision of staff housing.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

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

Objective:

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

TRANSPORT

Objective:

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

ECONOMIC SERVICES

Objective:

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

OTHER PROPERTY AND SERVICES

Objective:

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 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Governance							
Don't Zoom in Broome Project Grant	2,096	0	0	2,096	0	0	2,096
EDL sponsorship and spent	293,827	9,472	(67,264)	236,035	6,726	(32,400)	210,361
DLGC National Youth Week Grant	247	0	0	247	0	0	247
Law, order, public safety							
FESA State Emergency Service & Volunteer Bush Fire Bridgade Operational and Grant funding	17,093	0	0	17,093	0	0	17,093
Health							
Clean Up Aboriginal Communities Operational Grant	16,136	0	0	16,136	0	0	16,136
Department of Health - FIMMWA Mosquito Control Advisory Committee Funding for Mosquito control	3,540	38,029	(38,029)	3,540	21,304	(17,870)	6,974
Education and welfare							
Office of Crime Prevention Grant - Community Safety & Crime Prevention Plan & LGA Partnership Fund - Initiative Lighting Up Anne St Precinct	3,837	0	(5)	3,832	0	0	3,832
Department of Attorney-General - Hypernight Grant	2,500	0	0	2,500	0	0	2,500
Care of Families & Children Grants - Broome Iterants Strategy	9,507	0	0	9,507	0	0	9,507
Housing							
Key Worker Housing	555,842	0	(555,842)	0	0	0	0
Community amenities							
OTCAM Donation for Broome Cemetery Committee from Mollie Bean	150	0	0	150	0	0	150
Rangelands NRM Water Quality Monitoring Program - Protection of Environment	1,091	0	0	1,091	0	0	1,091
Landcorp Development Contributions Plan and Scheme Amendment	0	200,000	(48,019)	151,981	0	(89,605)	62,376
Department of Planning Coastal Hazard Risk Management and Adaption Plan	0	40,000	(9,427)	30,573	5,000	(35,573)	0
Recreation and culture							
Parks and Ovals Grants - Lions Club BBQ grant.	330	0	0	330	0	0	330
State Library of WA - Library Grant	5,680	28,824	(15,238)	19,266	28,784	(43,495)	4,555
Swimming Areas & Beaches - Entrance Point Jetty Planning Grant RBFS	38,300	0	0	38,300	0	0	38,300
Grant from Sport 4 All - Kidsport Grant	4,250	50,000	(44,432)	9,818	40,000	(40,000)	9,818
Landcorp Development Contribution BRAC aquatic upgrade	0	1,035,000	(78,117)	956,883	0	(825,139)	131,744

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2 REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Transport							
Road Maintenance - Office Native Title Morrell Park maintenance	271,074	0	(20,000)	251,074	0	(21,744)	229,330
Roads to Recovery Unspent Grant re Clementson St Upgrade Infra Stage 3	14,104	0	0	14,104	0	0	14,104
Roads to Recovery Unspent Grant re Unallocated	23,101	0	0	23,101	0	0	23,101
MRD Grant Remote Access Road Grant - (Broome - Cape Leveque Road)	1,006	0	0	1,006	0	0	1,006
Royalties for Regions Grant Lorricket Drive	140,755	0	0	140,755	0	(140,755)	0
Street Lighting Const Grant Undergrnd Power C/Town Upgrade	48	0	0	48	0	0	48
WALGA Grant Road Safety Activities	1,200	0	0	1,200	0	0	1,200
Frederick Street and Dampier St Connection - Urban New Infra	300,000	0	(300,000)	0	0	0	0
Sanderling/ Spoonbill Pedestrian Improvements - Upgrade Rd Const	21,333	0	(21,333)	0	0	0	0
Black Spot Federal - Hamersley Napier	0	0	0	0	451,484	(45,746)	405,738
Crab Creek Road - Water Corporation contribution	0	0	0	0	762,000	(632,103)	129,897
Economic services							
Tourism Grants - Visitors Center & Railway Line Project	50,000	0	0	50,000	0	0	50,000
Chinatown Revitalisation - Royalties for Regions	0	0	0	0	1,800,000	(1,141,102)	658,898
Chinatown Revitalisation - Tourism WA	0	0	0	0	133,000	0	133,000
Tourism WA - Black Waste Dump Point	0	0	0	0	58,000	(34,120)	23,880
Other property and services							
WA POLICE HEADQUARTERS Community Safety Grant - (New Visitor Centre Building Upgrade CCTV)	2,035	0	(2,035)	0	0	0	0
Rio Tinto Contribution Apprentice Incubation Programme	0	33,142	(15,923)	17,219	37,152	(33,021)	21,350
Total	1,779,082	1,434,467	(1,215,664)	1,997,885	3,343,450	(3,132,673)	2,208,662

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 \$1,998,301 of Unspent Grants held in Restricted Cash Reserve at 30 June 2017 (\$1,621,095 at 30 June 2016), and \$210,361 held in the EDL Reserve at 30 June 2017 (\$236,035 at 30 June 2016).

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		6,223,947	3,807,938
Restricted		31,382,437	28,994,858
		<u>37,606,384</u>	<u>32,802,796</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Leave	12	1,392,788	1,445,633
Reserves cash backed - Building	12	4,225,522	3,775,847
Reserves cash backed - Public Open Space	12	1,484,517	860,010
Reserves cash backed - Drainage	12	1,538,939	1,620,493
Reserves cash backed - Plant	12	1,445,002	1,476,655
Reserves cash backed - BRAC (Leisure Centre)	12	52,962	51,495
Reserves cash backed - Road	12	2,466,645	2,222,495
Reserves cash backed - Footpath	12	2,124,387	2,231,163
Reserves cash backed - Car Park	12	472,478	459,387
Reserves cash backed - IT & Equipment	12	365,711	312,797
Reserves cash backed - Refuse Site	12	3,531,100	4,175,520
Reserves cash backed - Resource Recovery Park	12	9,637,910	7,216,863
Reserves cash backed - Restricted Cash	12	2,033,575	2,534,220
Reserves cash backed - Community Sponsorship	12	61,986	45,287
Reserves cash backed - EDL	12	210,360	236,034
Reserves cash backed - Kimberley Zone	12	180,039	176,835
Reserves cash backed - Public Art	12	158,516	154,124
		<u>31,382,437</u>	<u>28,994,858</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		1,004,623	986,605
Sundry debtors		525,385	1,439,426
GST receivable		185,579	363,160
Bonds and Deposits held by others		42,498	43,949
Other current Receivables		100,490	71,086
Allowance for impairment - rates		(99,881)	(133,981)
Allowance for impairment - sundry debtors		(25,805)	(2,308)
		<u>1,732,889</u>	<u>2,767,937</u>
Non-current			
Rates outstanding - pensioners		17,061	17,498
		<u>17,061</u>	<u>17,498</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
4. TRADE AND OTHER RECEIVABLES (continued)		
Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
Rates outstanding	<u>1,004,623</u>	<u>986,605</u>
Includes:		
Past due and not impaired	904,742	852,624
Impaired	<u>99,881</u>	<u>133,981</u>
Sundry debtors	<u>525,385</u>	<u>1,439,426</u>
Includes:		
Current	476,686	476,292
Past due and not impaired	22,894	960,826
Impaired	<u>25,805</u>	<u>2,308</u>
5. INVENTORIES		
Current		
Fuel and materials	29,614	22,607
BRAC Stock	<u>7,031</u>	<u>2,767</u>
	<u>36,645</u>	<u>25,374</u>
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land at:		
- Independent valuation 2014 - level 3	0	5,820,000
- Independent valuation 2017 - level 3	2,680,000	0
- Additions after valuation - cost	<u>0</u>	<u>256,247</u>
	2,680,000	6,076,247
Land - vested in and under the control of Council at:		
- Cost	<u>16,076,532</u>	<u>16,076,532</u>
	16,076,532	16,076,532
	<u>18,756,532</u>	<u>22,152,779</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT (continued)		
Buildings - non-specialised at:		
- Independent valuation 2014 - level 3	0	59,724,538
- Independent valuation 2017 - level 3	59,693,769	0
- Additions after valuation - cost	0	1,214,815
Buildings - non-specialised - Less: accumulated depreciation	0	(3,044,508)
	59,693,769	57,894,845
	59,693,769	57,894,845
 Total land and buildings	 78,450,301	 80,047,624
 Furniture and equipment at:		
- Management valuation 2015 - level 3	0	847,395
- Management valuation 2017 - level 3	792,760	0
- Additions after valuation - cost	0	477,724
Furniture and equipment - Less: accumulated depreciation	0	(293,642)
	792,760	1,031,477
 Plant and equipment at:		
- Management valuation 2016 - level 2	7,131,265	7,131,265
- Additions after valuation - cost	4,575,975	0
- Disposals after valuation - cost	(927,297)	0
Plant and equipment - Less: accumulated depreciation	(975,165)	0
	9,804,778	7,131,265
 Work in Progress - Land & Buildings at:		
- Cost	192,224	590,968
	192,224	590,968
 Work in Progress - Plant & Equipment at:		
- Cost	0	78,117
	0	78,117
 Work in Progress - Furniture & Equipment at:		
- Cost	125,170	0
	125,170	0
	89,365,233	88,879,451

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 2017

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 \$	Reclassifications \$	Carrying Amount at the End of Year \$
Land - freehold land	6,076,247	0	0	(3,396,247)	0	0	0	0	0	2,680,000
Land - vested in and under the control of Council	16,076,532	0	0		0	0	0	0	0	16,076,532
Total land	22,152,779	0	0	(3,396,247)	0	0	0	0	0	18,756,532
Buildings - non-specialised	57,894,845	777,560	0	2,557,778	0	0	(1,522,284)	200,755	(214,885)	59,693,769
Total buildings	57,894,845	777,560	0	2,557,778	0	0	(1,522,284)	200,755	(214,885)	59,693,769
Total land and buildings	80,047,624	777,560	0	(838,469)	0	0	(1,522,284)	200,755	(214,885)	78,450,301
Furniture and equipment	1,031,477	430,478	0	(238,560)	0	0	(430,635)	0	0	792,760
Plant and equipment	7,131,265	4,614,857	(927,297)	0	0	0	(1,092,163)	78,117	0	9,804,778
Work in Progress - Land & Buildings	590,968	1,734	(199,723)	0	0	0	0	(200,755)	0	192,224
Work in Progress - Plant & Equipment	78,117	0	0	0	0	0	0	(78,117)	0	0
Work in Progress - Furniture & Equipment	0	125,170	0	0	0	0	0	0	0	125,170
Total property, plant and equipment	88,879,451	5,949,799	(1,127,020)	(1,077,029)	0	0	(3,045,082)	0	(214,885)	89,365,233

During the year \$199,723 of Works in Progress - Land & Buildings was derecognised. The amount relates to expenditure incurred on a discontinued project which was previously capitalised.

During the year, two assets that were previously listed as buildings, were reclassified to Infrastructure - Other.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land at:					
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	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 2017	At cost
Buildings - non-specialised	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Sales comparisons per lettable area (level 2 inputs), depreciated replacement cost per unit area and estimated useful life (Level 3 inputs)
Buildings - specialised					
Furniture and equipment	3	Market approach using recent observable market data for similar assets	Management valuation	June 2017	Market price per item, adjusted for condition and comparability
Plant and equipment					
- 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 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads at:		
- Management valuation 2015 - level 3	323,849,950	323,849,950
- Additions after valuation - cost	8,928,264	6,425,961
Infrastructure - Roads - Less: accumulated depreciation	<u>(105,736,012)</u>	<u>(99,194,928)</u>
	227,042,202	231,080,983
Infrastructure - Carparks, Footpaths & Bridges at:		
- Management valuation 2015 - level 3	48,127,680	48,127,680
- Additions after valuation - cost	1,447,158	1,114,680
Infrastructure - Carparks, Footpaths & Bridges - Less: accumulated depreciation	<u>(20,276,816)</u>	<u>(19,271,595)</u>
	29,298,022	29,970,765
Infrastructure - Drainage at:		
- Management valuation 2015 - level 3	65,843,215	65,843,215
- Additions after valuation - cost	1,546,751	1,408,374
Infrastructure - Drainage - Less: accumulated depreciation	<u>(27,106,701)</u>	<u>(25,985,819)</u>
	40,283,265	41,265,770
Infrastructure - Recreation Areas at:		
- Management valuation 2015 - level 3	3,883,913	3,883,913
- Additions after valuation - cost	1,448,164	1,342,931
Infrastructure - Recreation Areas - Less: accumulated depreciation	<u>(2,767,023)</u>	<u>(2,603,181)</u>
	2,565,054	2,623,663
Infrastructure - Other at:		
- Management valuation 2015 - level 3	5,869,936	5,869,936
- Additions after valuation - cost	1,599,799	807,058
Infrastructure - Other - Less: accumulated depreciation	<u>(4,445,736)</u>	<u>(3,793,873)</u>
	3,023,999	2,883,121
Work in Progress - Roads, F/Path & Bridges at:		
- Cost	<u>930,621</u>	<u>19,487</u>
	930,621	19,487
Work in Progress - Other Infrastructure at:		
- Cost	<u>982,904</u>	<u>825,545</u>
	982,904	825,545
	<u>304,126,067</u>	<u>308,669,334</u>

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 2017

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	Reclassifications	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	231,080,983	2,502,303	0	0	0	0	(6,541,085)	0	0	227,042,202
Infrastructure - Carparks, Footpaths & Bridges	29,970,765	314,353	0	0	0	0	(1,005,221)	18,125	0	29,298,022
Infrastructure - Drainage	41,265,770	138,377	0	0	0	0	(1,120,882)	0	0	40,283,265
Infrastructure - Recreation Areas	2,623,663	105,233	0	0	0	0	(163,842)	0	0	2,565,054
Infrastructure - Other	2,883,121	484,845	0	0	0	0	(639,969)	81,117	214,885	3,023,999
Work in Progress - Roads, F/Path & Bridges	19,487	929,259	0	0	0	0	0	(18,125)	0	930,621
Work in Progress - Other Infrastructure	825,545	241,336	(2,860)	0	0	0	0	(81,117)	0	982,904
Total infrastructure	308,669,334	4,715,706	(2,860)	0	0	0	(9,470,999)	0	214,885	304,126,067

During the year \$2,860 of Works in Progress - Other Infrastructure was derecognised. The amount relates to expenditure incurred on a discontinued project which was previously capitalised.

During the year, two assets that were previously listed as buildings, were reclassified to Infrastructure - Other.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	2,421,490	2,979,535
Accrued interest on debentures	3,875	7,968
Accrued salaries and wages	421,666	499,031
ATO liabilities	31,864	45,021
Excess Rates	199,608	181,158
Prepaid Rent, Grants and Services	162,440	33,182
Accrued Expenses	513,119	399,905
	<u>3,754,062</u>	<u>4,145,800</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	592,743	868,715
	<u>592,743</u>	<u>868,715</u>
Non-current		
Secured by floating charge		
Debentures	2,319,237	2,911,981
	<u>2,319,237</u>	<u>2,911,981</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	1,289,376	920,614	2,209,990
Non-current provisions	0	301,357	301,357
	<u>1,289,376</u>	<u>1,221,971</u>	<u>2,511,347</u>
Additional provision	24,348	(46,090)	(21,742)
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	(15,570)	(15,570)
Balance at 30 June 2017	<u>1,313,724</u>	<u>1,160,311</u>	<u>2,474,035</u>
Comprises			
Current	1,313,724	712,020	2,025,744
Non-current	0	448,291	448,291
	<u>1,313,724</u>	<u>1,160,311</u>	<u>2,474,035</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Reserves cash backed - Leave	1,445,633	297,635	(350,480)	1,392,788	1,749,519	54,420	(217,269)	1,586,670	1,789,986	113,139	(457,492)	1,445,633
Reserves cash backed - Building	3,775,847	613,022	(163,347)	4,225,522	4,176,135	156,614	(2,577,207)	1,755,542	2,922,793	1,128,576	(275,522)	3,775,847
Reserves cash backed - Public Open Space	860,010	624,507	0	1,484,517	854,413	622,392	0	1,476,805	731,954	128,056	0	860,010
Reserves cash backed - Drainage	1,620,493	50,591	(132,145)	1,538,939	1,612,296	47,971	(135,000)	1,525,267	1,637,697	52,796	(70,000)	1,620,493
Reserves cash backed - Plant	1,476,655	280,659	(312,312)	1,445,002	1,472,873	37,988	(200,000)	1,310,861	1,047,874	428,781	0	1,476,655
Reserves cash backed - BRAC (Leisure Centre)	51,495	1,467	0	52,962	51,087	1,517	(50,717)	1,887	49,887	1,608	0	51,495
Reserves cash backed - Road	2,222,495	305,733	(61,583)	2,466,645	2,572,280	49,170	(49,349)	2,572,101	1,616,575	902,128	(296,208)	2,222,495
Reserves cash backed - Footpath	2,231,163	95,431	(202,207)	2,124,387	2,191,201	64,825	(196,005)	2,060,021	2,450,843	79,010	(298,690)	2,231,163
Reserves cash backed - Car Park	459,387	13,091	0	472,478	456,340	13,615	0	469,955	445,040	14,347	0	459,387
Reserves cash backed - IT & Equipment	312,797	52,914	0	365,711	311,528	53,270	0	364,798	303,028	9,769	0	312,797
Reserves cash backed - Refuse Site	4,175,520	118,987	(763,407)	3,531,100	3,904,926	123,277	(1,147,342)	2,880,861	4,053,026	130,660	(8,166)	4,175,520
Reserves cash backed - Resource Recovery Park	7,216,863	2,670,162	(249,115)	9,637,910	7,053,920	3,092,279	(400,000)	9,746,199	4,243,919	3,157,994	(185,050)	7,216,863
Reserves cash backed - Restricted Cash	2,534,220	1,367,073	(1,867,718)	2,033,575	2,380,059	0	(1,957,516)	422,543	3,254,336	1,175,809	(1,895,925)	2,534,220
Reserves cash backed - Community Sponsorship	45,287	16,699	0	61,986	30,794	918	0	31,712	30,193	15,094	0	45,287
Reserves cash backed - EDL	236,034	6,726	(32,400)	210,360	234,062	6,628	(80,000)	160,690	293,826	9,472	(67,264)	236,034
Reserves cash backed - Kimberley Zone	176,835	5,039	(1,835)	180,039	175,000	0	0	175,000	670,331	3,894	(497,390)	176,835
Reserves cash backed - Public Art	154,124	4,392	0	158,516	154,155	4,564	(70,000)	88,719	154,155	4,969	(5,000)	154,124
	<u>28,994,858</u>	<u>6,524,128</u>	<u>(4,136,549)</u>	<u>31,382,437</u>	<u>29,380,589</u>	<u>4,329,448</u>	<u>(7,080,405)</u>	<u>26,629,632</u>	<u>25,695,463</u>	<u>7,356,102</u>	<u>(4,056,707)</u>	<u>28,994,858</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
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

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:

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Leave	Ongoing	To be used to fund annual and long service leave requirements.
Reserves cash backed - Building	Ongoing	To be used for renewal, upgrade, replacement or new building construction and associated infrastructure
Reserves cash backed - Public Open Space	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.
Reserves cash backed - Drainage	Ongoing	To be used for the renewal, upgrade or construction of drainage services. Typically funds are from contributions made by developers.
Reserves cash backed - Plant	Ongoing	To be used for the renewal, upgrade or purchase of new mobile plant and engineering equipment.
Reserves cash backed - BRAC (Leisure Centre)	Ongoing	To be used for the construction of recreation infrastructure and facilities.
Reserves cash backed - Road	Ongoing	To be used for renewal, upgrade or new streets and roads.
Reserves cash backed - Footpath	Ongoing	To be used for renewal, upgrade or new footpaths. Typically funds are from contributions made by developers.
Reserves cash backed - Car Park	Ongoing	To be used for renewal, upgrade or new carparks. Typically funds are from "Cash In Lieu" payments from developers.
Reserves cash backed - IT & Equipment	Ongoing	To be used for renewal, upgrade or new office equipment, IT hardware and software.
Reserves cash backed - Refuse Site	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.
Reserves cash backed - Resource Recovery Park	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"> i) The future construction of a new facility; ii) the future subsequent and ongoing costs of maintaining the site in accordance with operational requirements and environmental guidelines; or iii) the costs of future rehabilitation of the site.
Reserves cash backed - Restricted Cash	Ongoing	To be used for unspent grant and loan funds.
Reserves cash backed - Community Sponsorship	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-hoc sponsorships in accordance with the Community Sponsorship Program Policy.
Reserves cash backed - EDL	Ongoing	To hold funds to be spent on community projects as approved by Energy Development Limited.
Reserves cash backed - Kimberley Zone	Ongoing	To hold funds set aside annually to fund future projects and initiatives for the Kimberley Zone of WALGA and/or Regional Collaborative Groups.
Reserves cash backed - Public Art	Ongoing	To hold funds set aside annually to fund future public art projects and initiatives within the Shire.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. REVALUATION SURPLUS

	2017	2017	2017	2017	2016	2016	2016	2016	2016	
	Opening	Revaluation	Revaluation	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	Balance	Increment	(Decrement)	Revaluation	Balance	Balance	Increment	(Decrement)	Revaluation	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land and buildings	35,691,909	0	(838,469)	(838,469)	34,853,440	35,691,909	0	0	0	35,691,909
Revaluation surplus - Furniture and equipment	439,874	0	(238,560)	(238,560)	201,314	439,874	0	0	0	439,874
Revaluation surplus - Plant and equipment	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	180,313,246	0	0	0	180,313,246	180,313,246	0	0	0	180,313,246
Revaluation surplus - Infrastructure - Carparks, Footpaths & Bridges	22,251,434	0	0	0	22,251,434	22,251,434	0	0	0	22,251,434
Revaluation surplus - Infrastructure - Drainage	34,087,407	0	0	0	34,087,407	34,087,407	0	0	0	34,087,407
Revaluation surplus - Infrastructure - Recreation Areas	0	0	0	0	0	0	0	0	0	0
Revaluation surplus - Infrastructure - Other	269,446	0	0	0	269,446	269,446	0	0	0	269,446
	<u>273,053,316</u>	<u>0</u>	<u>(1,077,029)</u>	<u>(1,077,029)</u>	<u>271,976,287</u>	<u>273,053,316</u>	<u>0</u>	<u>0</u>	<u>0</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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>37,606,384</u>	<u>27,359,571</u>	<u>32,802,796</u>

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

Net result	2,096,684	6,374,988	(63,126)
Non-cash flows in Net result:			
Depreciation	12,516,081	7,506,341	12,081,440
(Profit)/Loss on sale of asset	598,800	100,784	58,556
Loss on revaluation of fixed assets	0		(325,066)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	1,035,485	150,000	(326,641)
(Increase)/Decrease in inventories	(11,271)	0	3,186
Increase/(Decrease) in payables	(391,738)	0	1,473,505
Increase/(Decrease) in provisions	(37,312)	0	337,763
Grants contributions for the development of assets	<u>(6,053,541)</u>	<u>(6,858,963)</u>	<u>(4,770,198)</u>
Net cash from operating activities	<u>9,753,188</u>	<u>7,273,150</u>	<u>8,469,419</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
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>0</u>	<u>(1,728)</u>
Total amount of credit unused	<u>725,000</u>	<u>723,272</u>
Loan facilities		
Loan facilities - current	592,743	868,715
Loan facilities - non-current	<u>2,319,237</u>	<u>2,911,981</u>
Total facilities in use at balance date	<u>2,911,980</u>	<u>3,780,696</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

	2017	2016
	\$	\$
Shinju Matsuri Loan/Overdraft Guarantee	0	15,000
	0	15,000
	0	15,000

16. CAPITAL AND LEASING COMMITMENTS

	2017	2016
	\$	\$

(a) Operating Lease Commitments

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

Payable:

- not later than one year	343,678	216,613
- later than one year but not later than five years	23,689	0
- later than five years	0	0
	367,367	216,613
	367,367	216,613

(b) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects	199,410	3,028,607
- plant & equipment purchases	25,140	241,093

Payable:

- not later than one year	199,410	856,586
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30 June 2017

Other Plant and Equipment

BRAC Aquatic Upgrade

IT

State CCTV Project

Software Development - Magiq

Infrastructure - Roads

Hamersley - Napier St

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	9,196,387	412,869
General purpose funding	390,399	7,212,279
Law, order, public safety	590,838	791,753
Health	12,184	14,749
Housing	2,962,498	3,648,734
Community amenities	57,467,507	56,244,312
Recreation and culture	36,117,403	37,699,329
Transport	263,073,055	267,152,269
Economic services	7,945,884	9,084,132
Other property and services	38,264,569	32,954,063
Unallocated	16,863,555	17,947,901
	<u>432,884,279</u>	<u>433,162,390</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	1.61	1.14	1.65
Asset sustainability ratio	0.66	0.29	0.50
Debt service cover ratio	8.50	5.97	6.59
Operating surplus ratio	(0.12)	(0.14)	(0.11)
Own source revenue coverage ratio	0.78	0.81	0.82

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 61 of this document.

Three of the 2017 ratios disclosed above were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017.

The early payment of the grant increased operating revenue in 2017 by \$1,485,897.

Three of the 2016 and 2015 ratios disclosed above were 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.

If recognised in the year to which the allocation related, the calculations in the 2017, 2016 and 2015 columns above would be as follows:

	2017	2016	2015
Current ratio	1.31	1.14	1.26
Debt service cover ratio	7.05	7.21	5.63
Operating surplus ratio	(0.16)	(0.10)	(0.16)

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
Footpath Damage Deposits	32,276	0	0	32,276
Library Transient Borrower Deposits	2,910	(168)	(2,673)	69
Civic Centre Takings	0	3,654	0	3,654
Other General Purpose Deposits	8,493	0	0	8,493
BCITF Collection & Refund Deposits	5,710	36,840	(36,018)	6,532
Town Planning Related Bond Deposits	106,207	0	0	106,207
Cemetery Plot Reservation Deposits	29,046	4,550	0	33,596
Recreation Facility use Bond Deposits	22,250	81,640	(70,965)	32,925
Road & Footpath Facilities Bond Deposits	506,946	0	0	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	16,431	0	0	16,431
BRB Levy	7,832	44,411	(46,295)	5,948
Unclaimed Monies	21,299	652	(2,428)	19,523
Staff Rental Bonds	25,406	39,175	(24,467)	40,114
Key Deposits	2,020	525	0	2,545
Chinatown Revitalisation DRD Grant	11,000,512	148,897	(1,980,000)	9,169,409
	<u>11,890,274</u>	<u>360,176</u>	<u>(2,162,846)</u>	<u>10,087,604</u>

21. DISPOSALS OF ASSETS - 2016/17 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 \$
Plant and Equipment								
Governance	71,101	60,727	0	(10,374)	50,105	64,000	13,895	0
Law, order, public safety	587	12,486	11,899	0	0	0	0	0
Health	9,411	7,273	0	(2,138)	10,270	8,000	0	(2,270)
Community amenities	157,789	43,636	0	(114,153)	116,672	83,000	359	(34,031)
Recreation and culture	23,140	31,424	12,262	(3,978)	12,199	13,000	801	0
Other property and services	665,269	375,534	10,769	(300,504)	412,538	333,000	11,185	(90,723)
	<u>927,297</u>	<u>531,080</u>	<u>34,930</u>	<u>(431,147)</u>	<u>601,784</u>	<u>501,000</u>	<u>26,240</u>	<u>(127,024)</u>
Land & Buildings								
Other property and services	0	0	0	(199,723)	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(199,723)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Infrastructure								
Economic services	0	0	0	(2,860)	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,860)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>927,297</u>	<u>531,080</u>	<u>34,930</u>	<u>(633,730)</u>	<u>601,784</u>	<u>501,000</u>	<u>26,240</u>	<u>(127,024)</u>

During the year, \$202,583 of Land and Buildings and Other Infrastructure Works in Progress was derecognised. The amount relates to expenditure incurred on discontinued projects which were previously capitalised.

SHIRE OF BROOME
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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2017	Repayments	Repayments
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture								
BRAC (Recreation Centre) Stage 1	107,977	0	107,977	107,976	0	0	5,257	5,455
BRAC Stage 2A	156,539	0	156,539	156,540	0	0	4,875	7,364
BRAC Stage 2B (Car Park & Oval Completion) 191	171,375	0	53,561	53,561	117,814	117,814	10,112	10,141
Civic Centre Redevelopment 193	2,764,383	0	416,879	416,878	2,347,504	2,347,505	104,936	105,117
BRAC Pavillion 194	543,113	0	96,451	96,451	446,662	446,662	29,830	30,434
BRAC Aquatic Upgrade	0	0	0	8,899	0	8,899	0	3,264
Economic services								
Visitor Centre Stage 2	37,309	0	37,309	37,309	0	0	1,162	1,755
Other property and services								
KRO Building New Construction	0	0	0	94,869	0	94,869	0	34,807
KRO Building - Office Fitout	0	0	0	0	0	0	0	0
	<u>3,780,696</u>	<u>0</u>	<u>868,716</u>	<u>972,483</u>	<u>2,911,980</u>	<u>3,015,749</u>	<u>156,172</u>	<u>198,337</u>

Three new loans were budgeted for 2016-17: BRAC Aquatic Upgrade, KRO Building New Construction and KRO Building - Office Fitout. None of the new loans were required. All other loan repayments were financed by general purpose revenue.

SHIRE OF BROOME
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FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

Particulars	Date	Balance	Borrowed	Expended	Balance
	Borrowed	1 July 16	During	During	30 June 17
		\$	\$	\$	\$
Loan # 193 Arts Centre Redevelopment	Jun 2012	913,125	0	(877,850)	35,275
		<u>913,125</u>	<u>0</u>	<u>(877,850)</u>	<u>35,275</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.

The Shire holds three Corporate Credit Cards with maximum limits of \$5,000, \$5,000 and \$15,000 respectively, 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
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23. RATING INFORMATION - 2016/17 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 \$
Differential general rate / general rate											
Gross rental value valuations											
GRV - Residential	9.5870	4,686	118,662,862	11,330,354	108,273	8,192	11,446,819	11,351,967	125,000	50,000	11,526,967
GRV - Residential - Vacant	15.5200	185	2,407,650	326,821	35,858	(5,465)	357,214	386,076	0	0	386,076
GRV - Commercial	10.5800	578	53,480,474	5,700,927	(27,701)	5,398	5,678,624	5,675,344	0	0	5,675,344
GRV - Tourism	14.7150	418	16,211,460	2,385,517	(1,803)	0	2,383,714	2,385,516	0	0	2,385,516
GRV - Exempt	0.0000	818	3,443,473	0	0	(2,020)	(2,020)	0	0	0	0
Unimproved value valuations											
UV - Rural	0.5953	139	77,719,000	435,434	(10,326)	(18,496)	406,612	460,131	0	0	460,131
UV - Mining	12.1150	33	1,421,556	172,222	(33,906)	13,386	151,702	184,384	0	0	184,384
UV - Commercial Rural	3.0250	32	8,625,533	260,922	204	(2,566)	258,560	307,296	0	0	307,296
Sub-Total		6,889	281,972,008	20,612,197	70,599	(1,571)	20,681,225	20,750,714	125,000	50,000	20,925,714
Minimum payment	\$										
Gross rental value valuations											
GRV - Residential	1,220	113	2,884,700	137,860	0	0	137,860	79,300	0	0	79,300
GRV - Residential - Vacant	1,220	172	1,176,185	209,840	0	0	209,840	268,400	0	0	268,400
GRV - Commercial	1,220	13	699,724	15,860	0	0	15,860	15,860	0	0	15,860
GRV - Tourism	1,220	412	1,879,540	502,640	0	0	502,640	502,640	0	0	502,640
Unimproved value valuations											
UV - Rural	1,220	6	530,300	7,320	0	0	7,320	7,320	0	0	7,320
UV - Mining	1,220	38	(457,259)	46,360	0	0	46,360	46,360	0	0	46,360
UV - Commercial Rural	1,220	13	82,540	15,860	0	0	15,860	15,860	0	0	15,860
Sub-Total		767	6,795,730	935,740	0	0	935,740	935,740	0	0	935,740
		7,656	288,767,738	21,547,937	70,599	(1,571)	21,616,965	21,686,454	125,000	50,000	21,861,454
Discounts/concessions (refer note 27)							(156,449)				(156,478)
Total amount raised from general rate							21,460,516				21,704,976
Totals							21,460,516				21,704,976

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. NET CURRENT ASSETS

Composition of net current assets

	2017	2017	2016
	(30 June 2017 Carried Forward) \$	(1 July 2016 Brought Forward) \$	(30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>3,606,464</u>	<u>1,691,093</u>	<u>1,691,093</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	6,223,947	3,807,938	3,807,938
Restricted	31,382,437	28,994,858	28,994,858
Receivables			
Rates outstanding	904,743	852,625	852,625
Sundry debtors	499,580	1,437,118	1,437,118
GST receivable	185,579	363,160	363,160
Bonds and Deposits held by others	42,498	43,949	43,949
Other current Receivables	100,490	71,086	71,086
Inventories			
Fuel and materials	29,614	22,607	22,607
BRAC Stock	7,031	2,767	2,767
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,421,490)	(2,979,535)	(2,979,535)
Accrued interest on debentures	(3,875)	(7,968)	(7,968)
Accrued salaries and wages	(421,666)	(499,031)	(499,031)
ATO liabilities	(31,864)	(45,021)	(45,021)
Excess Rates	(199,608)	(181,158)	(181,158)
Prepaid Rent, Grants and Services	(162,440)	(33,182)	(33,182)
Accrued Expenses	(513,119)	(399,905)	(399,905)
Current portion of long term borrowings			
Secured by floating charge	(592,743)	(868,715)	(868,715)
Provisions			
Provision for annual leave	(1,313,724)	(1,289,376)	(1,289,376)
Provision for long service leave	(712,020)	(920,614)	(920,614)
Unadjusted net current assets	<u>33,003,370</u>	<u>28,371,603</u>	<u>28,371,603</u>
Adjustments			
Less: Reserves - restricted cash	(31,382,437)	(28,994,858)	(28,994,858)
Less: Leave Liability not expected to be paid within 12 months	1,392,788	1,445,633	1,445,633
Add: Secured by floating charge	592,743	868,715	868,715
Adjusted net current assets - surplus/(deficit)	<u>3,606,464</u>	<u>1,691,093</u>	<u>1,691,093</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2017.

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR

Rates Discounts

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

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
General Rates	Concession	48%		107,277	107,294
General Rates	Concession	27%		46,905	46,914
General Rates	Concession	11%		2,267	2,270
				156,449	156,478

Other Waivers

Penalty Interest	Write Offs			(8,808)	2,000
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SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 FINANCIAL YEAR (Continued)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
UV - 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 2017

28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	23 August 16		5.50%	11.00%
Option Two				
First Instalment	23 August 16		5.50%	11.00%
Second Instalment	25 October 16	7		
Option Three				
First Instalment	23 August 16		5.50%	11.00%
Second Instalment	25 October 16	7		
Third Instalment	10 January 17	7		
Fourth Instalment	14 March 17	7		

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	197,088	130,000
Interest on instalment plan	113,833	100,000
Charges on instalment plan	33,229	40,000
Debt clearance letter	0	0
Payment arrangement fee	7,811	1,000
	351,961	271,000

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. FEES & CHARGES	2017	2016
	\$	\$
Governance	0	90
General purpose funding	71,125	72,966
Law, order, public safety	103,429	106,584
Health	145,915	149,304
Housing	562,450	482,988
Community amenities	6,926,028	6,983,333
Recreation and culture	842,402	958,120
Transport	17,638	39,571
Economic services	624,696	719,320
Other property and services	964,649	1,341,312
	<u>10,258,332</u>	<u>10,853,588</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:

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
Governance	35,198	237,500
General purpose funding	2,939,907	886,669
Law, order, public safety	0	(2,162)
Health	22,172	38,852
Education and welfare	54,415	33,636
Community amenities	37,959	376,363
Recreation and culture	272,671	198,330
Transport	1,575,936	971,984
Economic services	633,000	0
Other property and services	77,397	118,505
	<u>5,648,655</u>	<u>2,859,677</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	60,157	0
Community amenities	4,413	111,200
Recreation and culture	1,420,943	1,497,500
Transport	3,084,858	3,161,498
Economic services	1,358,000	0
Other property and services	125,170	0
	<u>6,053,541</u>	<u>4,770,198</u>
	<u>11,702,196</u>	<u>7,629,875</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017 \$	2016 \$
31. EMPLOYEE NUMBERS		
The number of full-time equivalent employees at balance date	131	131

	2017 \$	2017 Budget \$	2016 \$
32. ELECTED MEMBERS REMUNERATION			
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	161,130	161,130	153,715
President's allowance	47,045	47,045	46,350
Deputy President's allowance	11,761	11,761	11,587
Travelling expenses	23,320	58,450	11,237
Telecommunications allowance	31,500	31,500	30,899
	274,756	309,886	253,788

33. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

	2017 \$
The total of remuneration paid to KMP of the Shire during the year are as follows:	
Short-term employee benefits	900,958
Post-employment benefits	102,768
Other long-term benefits	14,667
Termination benefits	112,551
	1,130,944

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 32.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. RELATED PARTY TRANSACTIONS (Continued)

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

Transactions with related parties

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

The following transactions occurred with related parties:

Associated companies/individuals:

Sale of goods and services	2017 \$ (175,050)
Purchase of goods and services	6,139

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

34. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

35. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	37,606,384	32,802,796	37,606,384	32,802,796
Receivables	<u>1,749,950</u>	<u>2,785,435</u>	<u>1,749,950</u>	<u>2,785,435</u>
	<u><u>39,356,334</u></u>	<u><u>35,588,231</u></u>	<u><u>39,356,334</u></u>	<u><u>35,588,231</u></u>
Financial liabilities				
Payables	3,754,062	4,145,800	3,754,062	4,145,800
Borrowings	<u>2,911,980</u>	<u>3,780,696</u>	<u>2,911,980</u>	<u>3,780,696</u>
	<u><u>6,666,042</u></u>	<u><u>7,926,496</u></u>	<u><u>6,666,042</u></u>	<u><u>7,926,496</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 2017

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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.

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	376,064	328,028
- Statement of Comprehensive Income	376,064	328,028

Notes:

⁽¹⁾ 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 2017

36. 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.

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.

Repayment terms are renegotiated with debtors from time to time on a case by case basis. As at reporting date, there is one material receivable that has been subject to a re-negotiation of repayment terms.

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

	2017	2016
Percentage of rates and annual charges		
- Current	0.4%	1.9%
- Overdue	99.6%	98.1%
Percentage of other receivables		
- Current	97.2%	83.4%
- Overdue	2.8%	16.6%

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	3,754,062	0	0	3,754,062	3,754,062
Borrowings	712,581	2,532,336	0	3,244,918	2,911,980
	<u>4,466,643</u>	<u>2,532,336</u>	<u>0</u>	<u>6,998,980</u>	<u>6,666,042</u>
<u>2016</u>					
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>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. 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:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	117,814	0	446,662	2,347,504	0	2,911,980	4.34%
Weighted average Effective interest rate	0.00%	6.41%	0.00%	5.86%	3.95%	0.00%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
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%		

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

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Broome (the Shire), which comprises the statement of financial position as at 30 June 2017, 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.

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 2017 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).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 61 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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation of this 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.

In preparing the financial report, management is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Shire or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Shire's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Date: 3 October 2017
Perth, WA

MOORE STEPHENS
CHARTERED ACCOUNTANTS



DAVID TOMASI
PARTNER

**SHIRE OF BROOME
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

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.

	2017	2016	2015
Asset consumption ratio	0.71	0.72	0.74
Asset renewal funding ratio	1.17	1.67	0.53

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	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$