

SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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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.

Principal place of business:
27 Weld Street
BROOME WA 6725

**SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Broome for the financial year ended 30 June 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Broome at 30 June 2018 and the results of the operations for the financial year then ended in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 10th day of OCTOBER 2018



Sam Mastrolemba
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	20(a)	21,931,509	21,927,252	21,460,516
Operating grants, subsidies and contributions	2(a)	3,884,342	3,046,987	5,648,655
Fees and charges	2(a)	10,743,949	10,825,791	10,258,332
Interest earnings	2(a)	1,304,843	1,137,412	1,259,609
Other revenue	2(a)	988,593	833,579	1,302,012
		38,853,236	37,771,021	39,929,124
Expenses				
Employee costs		(15,637,962)	(16,254,957)	(15,172,581)
Materials and contracts		(9,300,554)	(13,486,309)	(10,121,183)
Utility charges		(1,844,152)	(2,055,610)	(1,962,519)
Depreciation on non-current assets	9(b)	(12,933,560)	(13,766,535)	(12,516,081)
Interest expenses	2(b)	(118,981)	(119,838)	(156,172)
Insurance expenses		(630,726)	(631,178)	(682,631)
Other expenditure		(2,700,647)	(2,692,726)	(2,676,014)
		(43,166,582)	(49,007,153)	(43,287,181)
		(4,313,346)	(11,236,132)	(3,358,057)
Non-operating grants, subsidies and contributions	2(a)	7,023,995	15,363,153	6,053,541
Profit on asset disposals	9(a)	12,860	1,000	34,930
(Loss) on asset disposals	9(a)	(309,999)	(191,276)	(633,730)
Net result		2,413,510	3,936,745	2,096,684
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(20,829,964)	0	(1,077,029)
Total other comprehensive income		(20,829,964)	0	(1,077,029)
Total comprehensive income		(18,416,454)	3,936,745	1,019,655

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
	2(a)			
Governance		22,907	28,450	54,475
General purpose funding		24,218,955	23,261,551	24,786,401
Law, order, public safety		186,974	133,795	128,322
Health		208,293	184,700	168,774
Education and welfare		15,000	15,000	63,506
Housing		585,062	628,275	564,628
Community amenities		7,164,053	7,492,240	7,388,752
Recreation and culture		1,644,971	1,361,545	1,220,824
Transport		1,448,213	1,798,076	1,733,578
Economic services		1,082,586	881,553	1,397,653
Other property and services		2,276,222	1,985,836	2,422,211
		38,853,236	37,771,021	39,929,124
Expenses				
	2(b)			
Governance		(2,002,679)	(2,284,817)	(2,583,023)
General purpose funding		(307,300)	(647,688)	(563,491)
Law, order, public safety		(1,401,211)	(1,062,510)	(1,343,709)
Health		(742,073)	(794,582)	(750,071)
Education and welfare		(580,039)	(717,931)	(693,032)
Housing		(742,808)	(789,497)	(596,007)
Community amenities		(8,483,658)	(9,492,966)	(8,984,885)
Recreation and culture		(10,565,703)	(11,149,161)	(9,366,355)
Transport		(12,759,452)	(13,664,659)	(12,086,715)
Economic services		(3,054,017)	(5,225,969)	(2,733,315)
Other property and services		(2,408,661)	(3,057,535)	(3,430,406)
		(43,047,601)	(48,887,315)	(43,131,009)
Finance Costs				
	2(b)			
Recreation and culture		(118,981)	(119,838)	(155,010)
Economic services		0	0	(1,162)
		(118,981)	(119,838)	(156,172)
		(4,313,346)	(11,236,132)	(3,358,057)
Non-operating grants, subsidies and contributions	2(a)	7,023,995	15,363,153	6,053,541
Profit on disposal of assets	9(a)	12,860	1,000	34,930
(Loss) on disposal of assets	9(a)	(309,999)	(191,276)	(633,730)
		6,726,856	15,172,877	5,454,741
		2,413,510	3,936,745	2,096,684
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	(20,829,964)	0	(1,077,029)
Total other comprehensive income		(20,829,964)	0	(1,077,029)
Total comprehensive income		(18,416,454)	3,936,745	1,019,655

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	45,133,347	37,606,384
Trade and other receivables	5	2,454,715	1,732,889
Inventories	6	34,015	36,645
TOTAL CURRENT ASSETS		47,622,077	39,375,918
NON-CURRENT ASSETS			
Other receivables	5	17,430	17,061
Property, plant and equipment	7	88,508,984	89,365,233
Infrastructure	8	278,788,414	304,126,067
TOTAL NON-CURRENT ASSETS		367,314,828	393,508,361
TOTAL ASSETS		414,936,905	432,884,279
CURRENT LIABILITIES			
Trade and other payables	11	4,606,710	3,754,062
Current portion of long term borrowings	12(a)	619,827	592,743
Provisions	13	2,214,146	2,025,744
TOTAL CURRENT LIABILITIES		7,440,683	6,372,549
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	1,699,411	2,319,237
Provisions	13	469,063	448,291
TOTAL NON-CURRENT LIABILITIES		2,168,474	2,767,528
TOTAL LIABILITIES		9,609,157	9,140,077
NET ASSETS		405,327,748	423,744,202
EQUITY			
Retained surplus		116,134,519	120,385,478
Reserves - cash backed	4	38,046,906	31,382,437
Revaluation surplus	10	251,146,323	271,976,287
TOTAL EQUITY		405,327,748	423,744,202

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 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	10	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
Comprehensive income					
Net result		2,413,510	0	0	2,413,510
Changes on revaluation of assets	10	0	0	(20,829,964)	(20,829,964)
Total comprehensive income		2,413,510	0	(20,829,964)	(18,416,454)
Transfers from/(to) reserves		(6,664,469)	6,664,469	0	0
Balance as at 30 June 2018		116,134,519	38,046,906	251,146,323	405,327,748

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual	2018 Budget	2017 Actual
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		22,141,540	21,927,252	21,408,835
Operating grants, subsidies and contributions		2,872,489	3,046,987	6,393,803
Fees and charges		10,871,793	10,825,791	10,421,270
Interest earnings		1,304,843	1,137,412	1,259,609
Goods and services tax		2,991,537	0	3,439,022
Other revenue		1,047,668	833,579	1,303,511
		41,229,870	37,771,021	44,226,050
Payments				
Employee costs		(15,424,327)	(16,224,707)	(15,300,415)
Materials and contracts		(8,523,582)	(13,486,309)	(10,500,083)
Utility charges		(1,769,449)	(2,055,610)	(1,914,013)
Interest expenses		(119,839)	(119,838)	(160,265)
Insurance expenses		(630,726)	(631,178)	(682,631)
Goods and services tax		(3,098,829)	0	(3,261,441)
Other expenditure		(2,700,647)	(2,692,726)	(2,654,014)
		(32,267,399)	(35,210,368)	(34,472,862)
Net cash provided by (used in) operating activities	14	8,962,471	2,560,653	9,753,188
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(3,178,496)	(5,828,580)	(5,949,799)
Payments for construction of infrastructure		(5,067,817)	(20,262,861)	(4,715,706)
Non-operating grants, subsidies and contributions		7,023,995	15,363,153	6,053,541
Proceeds from sale of fixed assets		379,552	375,000	531,080
Net cash provided by (used in) investment activities		(842,766)	(10,353,288)	(4,080,884)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(592,742)	(592,743)	(868,716)
Proceeds from new long term borrowings		0	3,656,053	0
Net cash provided by (used in) financing activities		(592,742)	3,063,310	(868,716)
Net increase (decrease) in cash held		7,526,963	(4,729,325)	4,803,588
Cash at beginning of year		37,606,384	35,351,160	32,802,796
Cash and cash equivalents at the end of the year	14	45,133,347	30,621,835	37,606,384

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

NOTE	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
OPERATING ACTIVITIES			
Net current assets at start of financial year - surplus/(deficit)	3,606,464	1,879,323	1,691,093
	3,606,464	1,879,323	1,691,093
Revenue from operating activities (excluding rates)			
Governance	22,907	28,450	54,475
General purpose funding	2,287,446	1,334,299	3,325,885
Law, order, public safety	186,974	133,795	140,221
Health	208,293	184,700	168,774
Education and welfare	19,770	15,000	63,506
Housing	585,062	628,275	564,628
Community amenities	7,164,053	7,492,240	7,388,752
Recreation and culture	1,644,971	1,361,545	1,233,086
Transport	1,448,213	1,798,076	1,733,578
Economic services	1,082,865	881,553	1,397,653
Other property and services	2,284,033	1,986,836	2,432,980
	16,934,587	15,844,769	18,503,538
Expenditure from operating activities			
Governance	(2,005,502)	(2,284,817)	(2,593,397)
General purpose funding	(307,300)	(647,688)	(563,491)
Law, order, public safety	(1,410,163)	(1,084,935)	(1,343,709)
Health	(745,194)	(798,432)	(752,209)
Education and welfare	(580,039)	(718,931)	(693,032)
Housing	(742,808)	(789,497)	(596,007)
Community amenities	(8,483,658)	(9,492,966)	(9,099,038)
Recreation and culture	(10,684,684)	(11,268,999)	(9,525,343)
Transport	(12,759,452)	(13,664,659)	(12,086,715)
Economic services	(3,054,017)	(5,229,869)	(2,737,337)
Other property and services	(2,703,764)	(3,217,636)	(3,930,633)
	(43,476,581)	(49,198,429)	(43,920,911)
Operating activities excluded			
(Profit) on disposal of assets	9(a) (12,860)	(1,000)	(34,930)
Loss on disposal of assets	9(a) 309,999	191,276	633,730
Movement in deferred pensioner rates (non-current)	(369)	0	437
Movement in employee benefit provisions (non-current)	220,168	30,250	94,089
Depreciation and amortisation on assets	9(b) 12,933,560	13,766,535	12,516,081
Amount attributable to operating activities	(9,485,032)	(17,487,276)	(10,516,873)
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions	7,023,995	15,363,153	6,053,541
Proceeds from disposal of assets	9(a) 379,552	375,000	531,080
Purchase of property, plant and equipment	7(b) (3,178,496)	(5,828,580)	(5,949,799)
Purchase and construction of infrastructure	8(b) (5,067,817)	(20,262,861)	(4,715,706)
Amount attributable to investing activities	(842,766)	(10,353,288)	(4,080,884)
FINANCING ACTIVITIES			
Repayment of long term borrowings	12(a) (592,742)	(592,743)	(868,716)
Proceeds from new long term borrowings	12(b) 0	3,656,053	0
Transfers to reserves (restricted assets)	4 (8,974,332)	(3,251,680)	(6,524,128)
Transfers from reserves (restricted assets)	4 2,309,863	6,101,682	4,136,549
Amount attributable to financing activities	(7,257,211)	5,913,312	(3,256,295)
Surplus(deficiency) before general rates	(17,585,009)	(21,927,252)	(17,854,052)
Total amount raised from general rates	20 21,931,509	21,927,252	21,460,516
Net current assets at June 30 c/fwd - surplus/(deficit)	21 4,346,500	0	3,606,464

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

1. 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 and to the extent they are not inconsistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the 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.

THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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 23 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

2. REVENUE AND EXPENSES

(a) Revenue	2018 Actual	2017 Actual
	\$	\$
Other revenue		
Reimbursements and recoveries	940,674	1,297,159
Other	47,919	4,853
	988,593	1,302,012
Fees and Charges		
General purpose funding	72,683	71,125
Law, order, public safety	159,633	103,429
Health	203,114	145,915
Housing	582,673	562,450
Community amenities	6,715,597	6,926,028
Recreation and culture	1,168,998	842,402
Transport	25,603	17,638
Economic services	769,708	624,696
Other property and services	1,045,940	964,649
	10,743,949	10,258,332

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	8,186	35,198
General purpose funding	1,837,256	2,939,907
Health	2,198	22,172
Education and welfare	15,000	54,415
Community amenities	5,000	37,959
Recreation and culture	372,598	272,671
Transport	1,287,446	1,575,936
Economic services	167,356	633,000
Other property and services	189,302	77,397
	3,884,342	5,648,655
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	60,157
Community amenities	255,000	4,413
Recreation and culture	194,933	1,420,943
Transport	1,498,892	3,084,858
Economic services	4,950,000	1,358,000
Other property and services	125,170	125,170
	7,023,995	6,053,541
Total grants, subsidies and contributions	10,908,337	11,702,196

SIGNIFICANT ACCOUNTING POLICIES

Grants, Donations and Other Contributions

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

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

Grants, Donations and Other Contributions (Continued)

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 19. 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 period.

Interest earnings

- Reserve funds
- Other funds
Other interest revenue (refer note 20(c))

	2018	2018	2017
	Actual	Budget	Actual
	\$	\$	\$
- Reserve funds	783,428	745,700	754,170
- Other funds	238,200	161,712	194,518
Other interest revenue (refer note 20(c))	283,215	230,000	310,921
	1,304,843	1,137,412	1,259,609

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other

	2018	2017
	\$	\$
	28,102	27,056
	5,769	13,834
	33,871	40,890
Interest expenses (finance costs)		
Long term borrowings (refer Note 12(a))	118,981	156,172
	118,981	156,172
Rental charges		
- Operating leases	534,921	516,373
	534,921	516,373

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018	2017
		\$	\$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		7,086,441	6,223,947
Restricted		38,046,906	31,382,437
		45,133,347	37,606,384
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserves cash backed - Leave Reserve	4	1,592,185	1,392,788
Reserves cash backed - Building	4	3,451,747	4,225,522
Reserves cash backed - Public Open Space	4	2,300,553	1,484,517
Reserves cash backed - Drainage	4	1,839,820	1,538,939
Reserves cash backed - Plant	4	1,559,839	1,445,002
Reserves cash backed - BRAC (Leisure Centre)	4	54,376	52,962
Reserves cash backed - Road	4	2,764,619	2,466,645
Reserves cash backed - Footpath	4	2,338,141	2,124,387
Reserves cash backed - Car Park	4	485,090	472,478
Reserves cash backed - IT & Equipment	4	432,473	365,711
Reserves cash backed - Refuse Site	4	3,377,488	3,531,100
Reserves cash backed - Resource Recovery Park	4	12,190,279	9,637,910
Reserves cash backed - Restricted Cash	4	5,045,885	2,033,575
Reserves cash backed - Community Sponsorship	4	84,449	61,986
Reserves cash backed - EDL	4	182,370	210,360
Reserves cash backed - Kimberley Zone	4	184,845	180,039
Reserves cash backed - Public Art	4	162,747	158,516
		38,046,906	31,382,437

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk

Cash and cash equivalents (Continued)

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

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

(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) 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.

(iii) 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.

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).

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Continued)

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.

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.

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.

4. RESERVES - CASH BACKED

	2018 Actual Opening	2018 Actual Transfer	2018 Actual Transfer	2018 Actual	2018 Budget Opening	2018 Budget Transfer	2018 Budget Transfer	2018 Budget Closing	2017 Actual Opening	2017 Actual Transfer	2017 Actual Transfer	2017 Actual Closing
	Balance	to	(from)	Actual	Balance	to	(from)	Balance	Balance	to	(from)	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reserves cash backed - Leave Reserve	1,392,788	387,781	(188,384)	1,592,185	1,446,463	34,700	(84,441)	1,396,722	1,445,633	297,635	(350,480)	1,392,788
Reserves cash backed - Building	4,225,522	178,443	(952,218)	3,451,747	4,201,973	134,400	(2,141,326)	2,195,047	3,775,847	613,022	(163,347)	4,225,522
Reserves cash backed - Public Open Space	1,484,517	816,036	0	2,300,553	2,580,648	84,878	(400,000)	2,265,526	860,010	624,507	0	1,484,517
Reserves cash backed - Drainage	1,538,939	336,547	(35,666)	1,839,820	1,535,342	40,600	0	1,575,942	1,620,493	50,591	(132,145)	1,538,939
Reserves cash backed - Plant	1,445,002	118,787	(3,950)	1,559,839	1,318,632	39,600	(29,000)	1,329,232	1,476,655	280,659	(312,312)	1,445,002
Reserves cash backed - BRAC (Leisure Centre)	52,962	1,414	0	54,376	52,959	100	0	53,059	51,495	1,467	0	52,962
Reserves cash backed - Road	2,466,645	347,974	(50,000)	2,764,619	2,479,437	147,100	(50,000)	2,576,537	2,222,495	305,733	(61,583)	2,466,645
Reserves cash backed - Footpath	2,124,387	388,308	(174,554)	2,338,141	2,123,935	57,500	(385,000)	1,796,435	2,231,163	95,431	(202,207)	2,124,387
Reserves cash backed - Car Park	472,478	12,612	0	485,090	472,446	12,800	0	485,246	459,387	13,091	0	472,478
Reserves cash backed - IT & Equipment	365,711	66,762	0	432,473	365,689	9,900	0	375,589	312,797	52,914	0	365,711
Reserves cash backed - Refuse Site	3,531,100	94,258	(247,870)	3,377,488	3,634,820	83,400	(1,236,053)	2,482,167	4,175,520	118,987	(763,407)	3,531,100
Reserves cash backed - Resource Recovery Park	9,637,910	2,604,850	(52,481)	12,190,279	9,730,311	2,594,002	(400,000)	11,924,313	7,216,863	2,670,162	(249,115)	9,637,910
Reserves cash backed - Restricted Cash	2,033,575	3,583,445	(571,135)	5,045,885	2,177,979	0	(1,295,862)	882,117	2,534,220	1,367,073	(1,867,718)	2,033,575
Reserves cash backed - Community Sponsorship	61,986	22,463	0	84,449	47,308	1,300	0	48,608	45,287	16,699	0	61,986
Reserves cash backed - EDL	210,360	5,615	(33,605)	182,370	162,745	4,400	(80,000)	87,145	236,034	6,726	(32,400)	210,360
Reserves cash backed - Kimberley Zone	180,039	4,806	0	184,845	180,027	4,700	0	184,727	176,835	5,039	(1,835)	180,039
Reserves cash backed - Public Art	158,516	4,231	0	162,747	158,506	2,300	0	160,806	154,124	4,392	0	158,516
	31,382,437	8,974,332	(2,309,863)	38,046,906	32,669,220	3,251,680	(6,101,682)	29,819,218	28,994,858	6,524,128	(4,136,549)	31,382,437

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.

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 Reserve	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: 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, contribution 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding	
Sundry debtors	
GST receivable	
Bonds and Deposits held by others	
Other current Receivables	
Allowance for impairment - rates	
Allowance for impairment - sundry debtors	

Non-current

Rates outstanding - pensioners	
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Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

Past due and not impaired	
Impaired	

Sundry debtors

Includes:

Current	
Past due and not impaired	
Impaired	

	2018	2017
	\$	\$
	794,223	1,004,623
	903,729	525,385
	292,871	185,579
	48,978	42,498
	545,538	100,490
	(106,676)	(99,881)
	(23,948)	(25,805)
	2,454,715	1,732,889
	17,430	17,061
	17,430	17,061
	687,547	904,742
	106,676	99,881
	541,465	476,686
	338,316	22,894
	23,948	25,805

SIGNIFICANT ACCOUNTING POLICIES

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.

Classification and subsequent measurement

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

6. INVENTORIES

Current

Fuel and materials
BRAC Stock

	2018	2017
	\$	\$
	28,554	29,614
	5,461	7,031
	34,015	36,645

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 3	2,680,000	2,680,000
- Current year additions after valuation - cost	340,192	0
	3,020,192	2,680,000
Land - vested in and under the control of Council at:		
- Cost	16,076,532	16,076,532
	16,076,532	16,076,532
Total land	19,096,724	18,756,532
Buildings - non-specialised at:		
- Independent valuation 2017 - level 3	59,693,769	59,908,654
- reclassification of asset class	0	(214,885)
- Current year additions after valuation - cost	774,092	0
Less: accumulated depreciation	(1,733,104)	0
	58,734,757	59,693,769
Total buildings	58,734,757	59,693,769
Total land and buildings	77,831,481	78,450,301
Furniture and equipment at:		
- Management valuation 2017 - level 3	792,760	792,760
- Additions after valuation - cost	580,546	0
Less: accumulated depreciation	(157,139)	0
	1,216,167	792,760
Plant and equipment at:		
- Management valuation 2016 - level 2	7,131,265	7,131,265
- Additions after valuation - cost	6,150,235	4,692,974
- Disposals after valuation - cost	(1,748,036)	(1,044,295)
Less: accumulated depreciation	(2,253,074)	(975,166)
	9,280,390	9,804,778
Work in Progress - Land & Buildings at:		
- C/Forward	192,224	590,968
- Additions at cost	153,309	1,734
- Transfer of Works in Progress	(1,734)	(200,755)
- Derecognition of Works in Progress	(162,853)	(199,723)
Less: accumulated depreciation	0	0
	180,946	192,224
Work in Progress - Plant & Equipment at:		
- C/Forward	0	78,117
- Transfer of Works in Progress	0	(78,117)
Less: accumulated depreciation	0	0
	0	0
Work in Progress - Furniture & Equipment at:		
- C/Forward	125,170	0
- Additions at cost	0	125,170
- Transfer of Works in Progress	(125,170)	0
Less: accumulated depreciation	0	0
	0	125,170
Total property, plant and equipment	88,508,984	89,365,233

7. 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.

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress - Land & Buildings	Work in Progress - Plant & Equipment	Work in Progress - Furniture & Equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	6,076,247	16,076,532	22,152,779	57,894,845	57,894,845	80,047,624	1,031,477	7,131,264	590,968	78,117	0	88,879,450
Additions	0	0	0	777,560	777,560	777,560	430,478	4,614,857	1,734	0	125,170	5,949,799
(Disposals)	0	0	0	0	0	0	0	(927,297)	(199,723)	0	0	(1,127,020)
Revaluation increments/ (decrements) transferred to revaluation surplus	(3,396,247)	0	(3,396,247)	2,557,778	2,557,778	(838,469)	(238,560)	0	0	0	0	(1,077,029)
Depreciation (expense)	0	0	0	(1,522,284)	(1,522,284)	(1,522,284)	(430,635)	(1,092,163)	0	0	0	(3,045,082)
Transfers	0	0	0	200,755	200,755	200,755	0	78,117	(200,755)	(78,117)	0	0
Reclassifications	0	0	0	(214,885)	(214,885)	(214,885)	0	0	0	0	0	(214,885)
Carrying amount at 30 June 2017	2,680,000	16,076,532	18,756,532	59,693,769	59,693,769	78,450,301	792,760	9,804,778	192,224	0	125,170	89,365,233
Additions	340,192	0	340,192	772,358	772,358	1,112,550	455,376	1,457,261	153,309	0	0	3,178,496
(Disposals)	0	0	0	0	0	0	0	(513,838)	(162,853)	0	0	(676,691)
Depreciation (expense)	0	0	0	(1,733,104)	(1,733,104)	(1,733,104)	(157,139)	(1,467,811)	0	0	0	(3,358,054)
Transfers	0	0	0	1,734	1,734	1,734	125,170	0	(1,734)	0	(125,170)	0
Carrying amount at 30 June 2018	3,020,192	16,076,532	19,096,724	58,734,757	58,734,757	77,831,481	1,216,167	9,280,390	180,946	0	0	88,508,984

7. 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 and buildings					
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Sales comparisons (level 3 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)
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	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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8 (a). INFRASTRUCTURE

	2018	2017
	\$	\$
Infrastructure - Roads		
- Management valuation 2015 - level 3	0	323,849,950
- Management valuation 2018 - level 3	237,035,322	0
- Additions after valuation - cost	0	6,425,961
- Current year additions after valuation - cost	0	2,502,303
Less: accumulated depreciation	(46,410,805)	(105,736,012)
	190,624,517	227,042,202
Infrastructure - Carparks, Footpaths & Bridges		
- Management valuation 2015 - level 3	0	48,127,680
- Management valuation 2018 - level 3	36,821,259	0
- Additions after valuation - cost	0	1,114,680
- Current year additions after valuation - cost	0	332,478
Less: accumulated depreciation	0	(20,276,816)
	36,821,259	29,298,022
Infrastructure - Drainage		
- Management valuation 2015 - level 3	0	65,843,215
- Management valuation 2018 - level 3	32,495,503	0
- Additions after valuation - cost	0	1,408,374
- Current year additions after valuation - cost	0	138,377
Less: accumulated depreciation	0	(27,106,701)
	32,495,503	40,283,265
Infrastructure - Recreation Areas		
- Management valuation 2015 - level 3	0	3,883,913
- Management valuation 2018 - level 3	10,572,094	0
- Additions after valuation - cost	0	1,342,931
- Current year additions after valuation - cost	0	105,233
Less: accumulated depreciation	0	(2,767,023)
	10,572,094	2,565,054
Infrastructure - Other		
- Management valuation 2015 - level 3	0	5,869,936
- Management valuation 2018 - level 3	4,646,895	0
- Additions after valuation - cost	0	807,058
- reclassification of asset class	0	226,779
- Current year additions after valuation - cost	0	565,962
Less: accumulated depreciation	0	(4,445,736)
	4,646,895	3,023,999
Work in Progress - Roads, F/Path & Bridges		
- C/Forward	930,621	19,487
- Additions cost	1,939,238	929,259
- Transfer of Works in Progress	(884,875)	(18,125)
Less: accumulated depreciation	0	0
	1,984,984	930,621
Work in Progress - Drainage Infrastructure		
- Additions cost	425,666	0
Less: accumulated depreciation	0	0
	425,666	0
Work in Progress - Other Infrastructure		
- C/Forward	982,904	825,545
- Additions at cost	423,642	241,336
- Transfer of Works in Progress	(259,018)	(81,117)
- Derecognition of Works in Progress	0	(2,860)
Less: accumulated depreciation	0	0
	1,147,528	982,904
Work in Progress - Recreation Areas		
- Additions at cost	69,968	0
Less: accumulated depreciation	0	0
	69,968	0
Total infrastructure	278,788,414	304,126,067

8. 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.

	Infrastructure - Roads	Infrastructure - Carparks, Footpaths & Bridges	Infrastructure - Drainage	Infrastructure - Recreation Areas	Infrastructure - Other	Work in Progress - Roads, F/Path & Bridges	Work in Progress - Drainage Infrastructure	Work in Progress - Other Infrastructure	Work in Progress - Recreation Areas	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	231,080,984	29,970,765	41,265,770	2,623,663	2,883,121	19,487	0	825,545	0	308,669,335
Additions	2,502,303	314,353	138,377	105,233	484,845	929,259	0	241,336	0	4,715,706
(Disposals)	0	0	0	0	0	0	0	(2,860)	0	(2,860)
Depreciation (expense)	(6,541,085)	(1,005,221)	(1,120,882)	(163,842)	(639,969)	0	0	0	0	(9,470,999)
Transfers	0	18,125	0	0	81,117	(18,125)	0	(81,117)	0	0
Reclassifications	0	0	0	0	214,885	0	0	0	0	214,885
Carrying amount at 30 June 2017	227,042,202	29,298,022	40,283,265	2,565,054	3,023,999	930,621	0	982,904	0	304,126,067
Additions	1,538,183	274,523	22,235	161,512	212,850	1,939,238	425,666	423,642	69,968	5,067,817
Revaluation increments/ (decrements) transferred to revaluation surplus	(32,251,034)	8,261,254	(6,686,809)	8,014,788	1,831,837	0	0	0	0	(20,829,964)
Depreciation (expense)	(6,589,709)	(1,012,540)	(1,123,188)	(169,260)	(680,809)	0	0	0	0	(9,575,506)
Transfers	884,875	0	0	0	259,018	(884,875)	0	(259,018)	0	0
Carrying amount at 30 June 2018	190,624,517	36,821,259	32,495,503	10,572,094	4,646,895	1,984,984	425,666	1,147,528	69,968	278,788,414

8. 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 2018	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 2018	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 2018	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 2018	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 2018	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 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Work in Progress - Drainage Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Work in Progress - Other Infrastructure	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Work in Progress - Recreation Areas	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	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.

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each 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.

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

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								
P16016 Isuzu MUX LST Outback	36,805	33,982	0	(2,823)	0	0		
Law, order, public safety								
P113 Isuzu D-Max SX Auto Utility Crew Cab w Tray	18,851	15,886	0	(2,965)	21,100	13,000	0	(8,100)
P213 Isuzu D-Max SX Man Utility Crew Cab w Tray	18,147	15,295	0	(2,852)	20,125	13,000	0	(7,125)
P16512 Isuzu D-Max SX Utility 4x4 Crew Cab	17,202	14,068	0	(3,134)	20,200	13,000	0	(7,200)
Health								
P10112 Isuzu D-Max SX 4x4 Crew Cab	13,644	10,522	0	(3,122)	16,850	13,000	0	(3,850)
Education and welfare								
P12112 Hyundai Santa Fe Wagon CRDi	9,162	13,931	4,769	0	9,000	8,000	0	(1,000)
Economic services								
P4412 Isuzu D-Max SX Utility 4x4 Crew Cab	13,652	13,931	279	0	16,900	13,000	0	(3,900)
Other property and services								
P7511 Isuzu D-Max SX Utility 4x4 Crew Cab	13,652	11,204	0	(2,448)	16,900	13,000	0	(3,900)
P11312 Isuzu D-Max SX Utility 4x4 Crew Cab	13,651	15,340	1,689	0	16,900	13,000	0	(3,900)
P3812 Isuzu D-Max SX Utility 4x4 Crew Cab	13,652	14,159	507	0	16,900	13,000	0	(3,900)
P6913 John Deere 1565 Front Deck Ride on Mower	7,883	12,500	4,617	0	10,267	8,000	0	(2,267)
P6910 John Deere 1565 Front Deck Mower	7,973	6,000	0	(1,973)	8,000	8,000	0	0
P10513 John Deere 1565 Front Deck Mower	10,123	6,000	0	(4,123)	11,495	10,000	0	(1,495)
P1910 Nissan PK9 Truck Tipper 8t Single Cab	81,997	45,000	0	(36,997)	85,400	45,000	0	(40,400)
P2713 Isuzu D-Max SX Utility Space Cab	17,786	16,386	0	(1,400)	21,200	13,000	0	(8,200)
P2512 Isuzu D-Max SX Utility 4x4 Space Cab	13,978	13,659	0	(319)	18,850	13,000	0	(5,850)
P6812 Isuzu D-Max SX Utility 4x4 Space Cab	13,978	14,977	999	0	18,850	13,000	0	(5,850)
P9112 Isuzu D-Max EX Utility 4x4 Single Cab Steel Tipper	13,435	11,659	0	(1,776)	15,600	13,000	0	(2,600)
P8913 Woodchipper Bandit 1390XP	31,031	27,273	0	(3,758)	34,747	20,000	0	(14,747)
P13209 John Deere 6430 Tractor 4WD PTO	40,000	23,000	0	(17,000)	40,000	40,000	0	0
P15211 Trailer - 5.5T Steel Tandem	21,621	1,758	0	(19,863)	0	0		
P83307 Roller Vibrating Soil Compactor	71,458	33,000	0	(38,458)	74,375	40,000	0	(34,375)
P1611 Isuzu D-Max Utility 4x4 Crew Cab	14,157	10,022	0	(4,135)	19,922	13,000	0	(6,922)
P85807 Trailer Polmac Dual Axle					0	0	0	0
P6212 Isuzu D-Max SX Utility 4x4 Crew Cab					16,900	13,000	0	(3,900)
P88515 Howard Stealth S2 Dual Winged Mower					20,328	0	0	(20,328)
P11412 Isuzu D-Max SX Utility 4x4 Single Cab					14,467	13,000	0	(1,467)
P16612 Pressure Cleaner Spitwater					0	1,000	1,000	0
Land & Buildings - Broome Motor Sport Complex	162,853	0	0	(162,853)	0	0	0	0
	676,691	379,552	12,860	(309,999)	565,276	375,000	1,000	(191,276)

During the year \$162,853 of Land and Buildings Works in Progress was derecognised. The amount relates to expenditure incurred on a discontinued project which was previously capitalised.

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	1,733,104	1,522,284
Furniture and equipment	157,139	430,635
Plant and equipment	1,467,811	1,092,163
Infrastructure - Roads	6,589,709	6,541,085
Infrastructure - Carparks, Footpaths & Bridges	1,012,540	1,005,221
Infrastructure - Drainage	1,123,188	1,120,882
Infrastructure - Recreation Areas	169,260	163,842
Infrastructure - Other	680,809	639,969
	12,933,560	12,516,081

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land and vested 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) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

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

- Vehicles (High Use 1 year replacement program)
- Ride on Mowers
- Cars & Light Vehicles (2 to 3 replacement program)
- Trucks Small 2-5 tonne
- Trucks Medium 6-12 tonne
- Trucks Heavy >12 tonne & Medium Plant
- Plant Heavy, Graders, Scrapers, Dozers, etc
- Plant Portable (regular use)
- Plant Other (low use and/or long life)
- Computer Equipment (hardware/software)
- Furniture & Equipment
- Building Plant & Air Conditioning
- Buildings
- Buildings - Long Life Structures Infrastructure Fixed:
- Formation & Earthworks (roads, reserves, landfill)
- Pavement (roads, car parks, reserves, landfill)
- Seals Asphalt
- Seals Bitumen
- Road Plant & Bus Shelters
- Bridges
- Drainage facilities
- Footpaths, Dual Use Paths

Depreciation (Continued)

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.

Estimated Useful Life	Annual Dep'n Rate
4 years	25.00%
5 years	20.00%
6.67 years	15.00%
6.67 years	15.00%
8 years	12.50%
10 years	10.00%
12 years	8.33%
5 years	20.00%
16 years	6.25%
4 years	25.00%
10 years	10.00%
15 years	6.67%
40 years	2.50%
50 years	2.00%
100 years	1.00%
40 years	2.50%
25 Years	4.00%
15 Years	6.67%
20 years	5.00%
80 years	1.25%
60 years	1.67%
50 years	2.00%

10. REVALUATION SURPLUS

	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
	Opening	Revaluation	Revaluation	Total	2018	2017	2017	2017	Total	2017
	Balance	Increment	(Decrement)	Movement on	Closing	Opening	Revaluation	Revaluation	Movement on	Closing
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus -Land & Buildings	34,853,440	0	0	0	34,853,440	35,691,909	0	(838,469)	(838,469)	34,853,440
Revaluation surplus -Furniture and equipment	201,314	0	0	0	201,314	439,874	0	(238,560)	(238,560)	201,314
Revaluation surplus - Infrastructure - Roads	180,313,246	0	(32,251,034)	(32,251,034)	148,062,212	180,313,246	0	0	0	180,313,246
Revaluation surplus - Infrastructure - Carparks, Footpaths & Bridges	22,251,434	8,261,254	0	8,261,254	30,512,688	22,251,434	0	0	0	22,251,434
Revaluation surplus - Infrastructure - Drainage	34,087,407	0	(6,686,809)	(6,686,809)	27,400,598	34,087,407	0	0	0	34,087,407
Revaluation surplus - Infrastructure - Recreation Areas	0	8,014,788	0	8,014,788	8,014,788	0	0	0	0	0
Revaluation surplus - Infrastructure - Other	269,446	1,831,837	0	1,831,837	2,101,283	269,446	0	0	0	269,446
	271,976,287	18,107,879	(38,937,843)	(20,829,964)	251,146,323	273,053,316	0	(1,077,029)	(1,077,029)	271,976,287

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Accrued interest on long term borrowings	
Accrued salaries and wages	
ATO liabilities	
Excess Rates	
Prepaid Rent, Grants and Services	
Accrued Expenses	

2018	2017
\$	\$
2,705,671	2,421,490
3,017	3,875
444,752	421,666
13,239	31,864
245,753	199,608
159,401	162,440
1,034,877	513,119
4,606,710	3,754,062

SIGNIFICANT ACCOUNTING POLICIES

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

Trade and other payables (Continued)

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.

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Principal	New	Principal Repayments		Principal 30 June 2018		Interest Repayments	
	1 July 2017	Loans	Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Recreation and culture								
BRAC Stage 2B (Car Park & Oval Completion) 191	117,814	0	57,049	57,049	60,765	60,765	6,622	6,652
Civic Centre Redevelopment 193	2,347,504	0	433,508	433,508	1,913,996	1,913,996	88,300	88,487
BRAC Pavillion 194	446,662	0	102,185	102,186	344,477	344,476	24,059	24,699
	<u>2,911,980</u>	<u>0</u>	<u>592,742</u>	<u>592,743</u>	<u>2,319,238</u>	<u>2,319,237</u>	<u>118,981</u>	<u>119,838</u>

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	619,827	592,743
Non-current	1,699,411	2,319,237
	<u>2,319,238</u>	<u>2,911,980</u>

(b) New Borrowings - 2017/18

Particulars/Purpose	Amount Borrowed		Institution	Term Years	Total Interest & Charges	Interest Rate	Amount (Used)		Balance Unspent
	Actual	Budget					Actual	Budget	
	\$	\$			\$	%	\$	\$	\$
Town Beach Redevelopment	0	1,956,053			0		0	0	0
Chinatown Revitalisation	0	1,700,000			0		0	0	0
	<u>0</u>	<u>3,656,053</u>			<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>

Two new loans were budgeted for 2017-18. Neither of the new loans were required.

12. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 17	Borrowed During Year	Expended During Year	Unspent Balance 30 June 18
		\$	\$	\$	\$
Loan # 193 Arts Centre Redevelopment	June 2012	35,275	0	0	35,275
		35,275	0	0	35,275

(d) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2018	2017
	\$	\$
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	0	0
Total amount of credit unused	725,000	725,000

Loan facilities

Loan facilities - current	619,827	592,743
Loan facilities - non-current	1,699,411	2,319,237
Total facilities in use at balance date	2,319,238	2,911,980

Unused loan facilities at balance date

NIL NIL

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Financial liabilities (Continued)

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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Increase in the discounted amount arising
because of time and the effect of any
change in the discounted rate

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
	1,313,724	712,020	2,025,744
	0	448,291	448,291
	1,313,724	1,160,311	2,474,035
	42,089	164,804	206,893
	0	2,281	2,281
	1,355,813	1,327,396	2,683,209
	1,355,813	858,333	2,214,146
		469,063	469,063
	1,355,813	1,327,396	2,683,209

SIGNIFICANT ACCOUNTING POLICIES

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.

Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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

Other long-term employee benefits (Continued)

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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

14. NOTES TO THE STATEMENT OF CASH FLOWS

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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	45,133,347	30,621,835	37,606,384

**Reconciliation of Net Cash Provided By
Operating Activities to Net Result**

Net result	2,413,510	3,936,745	2,096,684
Non-cash flows in Net result:			
Depreciation	12,933,560	13,766,535	12,516,081
(Profit)/loss on sale of asset	297,139	190,276	598,800
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(722,195)	0	1,035,485
(Increase)/decrease in inventories	2,630	0	(11,271)
Increase/(decrease) in payables	852,648	0	(391,738)
Increase/(decrease) in provisions	209,174	30,250	(37,312)
Grants contributions for the development of assets	(7,023,995)	(15,363,153)	(6,053,541)
Net cash from operating activities	8,962,471	2,560,653	9,753,188

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	367,216	390,399
General purpose funding	12,837,305	9,196,387
Law, order, public safety	536,302	590,838
Health	10,966	12,184
Housing	3,687,477	2,962,498
Community amenities	53,302,616	57,467,507
Recreation and culture	43,652,690	36,117,403
Transport	237,068,421	263,073,055
Economic services	7,294,156	7,945,884
Other property and services	38,284,610	38,264,569
Unallocated	17,895,146	16,863,555
	414,936,905	432,884,279

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

16. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

	2018	2017
	\$	\$
	2,017,266	199,410
	0	25,140
	2,017,266	199,410

The capital expenditure projects outstanding at the end of the current reporting period represents: construction of the Hamersley-Napier roundabout & drainage improvement, Frederick St lookout as part of the Chinatown Revitalisation Project, Town Beach redevelopment, youth bike precinct, KRO office building renewal, Hunter St road renewal, Short St drainage construction and unified communications project.

(The prior year commitment was for the construction of the new recreation centre).

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

- not later than one year
- later than one year but not later than five years

	2018	2017
	\$	\$
	298,261	343,678
	0	23,689
	298,261	367,367

SIGNIFICANT ACCOUNTING POLICIES

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 of 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.

Leases (Continued)

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 on a straight line basis over the lease term.

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

17. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

The following fees, expenses and allowances were paid to council members and/or the President.

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	161,455	161,130	161,130
President's allowance	47,045	47,045	47,045
Deputy President's allowance	11,761	11,761	11,761
Travelling expenses	49,210	53,450	23,320
Telecommunications allowance	31,500	31,500	31,500
	<u>300,971</u>	<u>304,886</u>	<u>274,756</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	744,067	900,958
Post-employment benefits	94,851	102,768
Other long-term benefits	9,900	14,667
Termination benefits	0	112,551
	<u>848,818</u>	<u>1,130,944</u>

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 above.

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.

Transactions with related parties

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

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

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Sale of goods and services	285,708	175,050
Purchase of goods and services	80,696	6,139

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.

17. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2017/2018 financial year.

18. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/2018 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
Don't Zoom in Broome Project Grant	2,096	0	0	2,096	0	0	2,096
EDL sponsorship and spent	236,035	6,726	(32,400)	210,361	5,615	(33,605)	182,371
DLGC National Youth Week Grant	247	0	0	247	0	0	247
Midnight Basketball Contributions	0	0	0	0	6,546	0	6,546
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	21,304	(17,870)	6,974	0	(4,390)	2,584
Education and welfare							
Office of Crime Prevention Grant - Community Safety & Crime Prevention Plan & LGA Partnership Fund - Initiative Lighting Up Anne St Precinct	3,832	0	0	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
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	151,981	0	(89,605)	62,376	0	0	62,376
Department of Planning Coastal Hazard Risk Management and Adaption Plan	30,573	5,000	(35,573)	0	0	0	0
Regional Venue Programming & Business Development (Raise the Roof) Grant	0	0	0	0	160,000	0	160,000
Recreation and culture							
Parks and Ovals Grants - Lions Club BBQ grant.	330	0	0	330	0	0	330
State Library of WA - Library Grant	19,266	28,784	(43,495)	4,555	7,000	(7,674)	3,881
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	9,818	40,000	(40,000)	9,818	0	0	9,818
Landcorp Development Contribution BRAC aquatic upgrade	956,883	0	(825,139)	131,744	0	0	131,744

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Grant/Contribution	Opening	Received	Expended	Closing	Received	Expended	Closing
	Balance ⁽¹⁾ 1/07/16	2016/17	2016/17	Balance ⁽¹⁾ 30/06/17	2017/18	2017/18	Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Transport							
Road Maintenance - Office Native Title Morrell Park maintenance	251,074	0	(21,744)	229,330	0	(2,674)	226,656
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	(140,755)	0	0	0	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
Black Spot Federal - Hamersley Napier	0	451,484	(45,746)	405,738	0	(405,738)	0
Crab Creek Road - Water Corporation contribution	0	762,000	(632,103)	129,897	0	(129,897)	0
Indigenous Access Roads Program Cape Leveque	0	0	0	0	235,667	(132,343)	103,324
Roads to Recovery - Hunter Street Stage 2	0	0	0	0	32,129	0	32,129
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	1,800,000	(1,141,102)	658,898	4,750,000	(1,814,010)	3,594,888
Chinatown Revitalisation - Tourism WA	0	133,000	0	133,000	267,000	0	400,000
Tourism WA - Black Waste Dump Point	0	58,000	(34,120)	23,880	0	(23,880)	0
Landcorp - Broome Growth Plan Partnership	0	0	0	0	100,356	(13,950)	86,406
Other property and services							
Rio Tinto Contribution Apprentice Incubation Programme	17,219	37,152	(33,021)	21,350	44,527	(24,228)	41,649
Total	1,997,885	3,343,450	(3,132,673)	2,208,662	5,608,840	(2,592,389)	5,225,113

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) - Grants/Contributions had been recognised as the restricted cash \$5,045,885 & reserves \$179,228, which will be expended in the manner specified by the contributor.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	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 valuations											
GRV - Residential	9.7547	4,850	122,396,138	11,885,243	79,586	6,150	11,970,979	11,851,039	0	10,000	11,861,039
GRV - Residential - Vacant	15.7916	143	2,453,180	368,615	7,654	945	377,214	387,711	0	0	387,711
GRV - Commercial	10.7652	581	54,140,924	5,796,078	(12,521)	11,252	5,794,809	5,790,824	0	0	5,790,824
GRV - Tourism	14.9725	425	16,881,300	2,527,554	(44,155)	0	2,483,399	2,528,530	0	0	2,528,530
GRV - Exempt	0.0000	815	3,883,233	0	0	(1,009)	(1,009)	0	0	0	0
Unimproved valuations											
UV - Rural	0.6570	55	20,820,000	113,523	0	0	113,523	136,787	0	0	136,787
UV - Mining	12.3270	36	953,727	117,566	(27,741)	(24)	89,801	116,413	0	0	116,413
UV - Commercial Rural	3.0779	21	6,643,773	204,489	0	0	204,489	204,489	0	0	204,489
Sub-Total		6,926	228,172,275	21,013,068	2,823	17,314	21,033,205	21,015,793	0	10,000	21,025,793
Minimum payment											
Gross rental valuations											
GRV - Residential	1,220	91	2,179,160	111,020	0	0	111,020	89,060	0	0	89,060
GRV - Residential - Vacant	1,220	194	1,041,230	236,680	0	0	236,680	263,520	0	0	263,520
GRV - Commercial	1,220	26	355,624	31,720	0	0	31,720	31,720	0	0	31,720
GRV - Tourism	1,220	413	1,867,840	503,860	0	0	503,860	502,640	0	0	502,640
Unimproved valuations											
UV - Rural	1,220	4	191,300	4,880	0	0	4,880	4,880	0	0	4,880
UV - Mining	500	30	(221,045)	15,000	0	0	15,000	14,500	0	0	14,500
UV - Commercial Rural	1,220	2	28,300	2,440	0	0	2,440	2,440	0	0	2,440
Sub-Total		760	5,442,409	905,600	0	0	905,600	908,760	0	0	908,760
		7,686	233,614,684	21,918,668	2,823	17,314	21,938,805	21,924,553	0	10,000	21,934,553
Discounts/concessions (refer note 20(b))							(7,296)				(7,301)
Total amount raised from general rates							21,931,509				21,927,252

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Type	Discount %	Discount \$	Actual \$	Budget \$
General Rates	Concession	8.585%	978	978
General Rates	Concession	7.935%	5,336	5,339
General Rates	Concession	7.815%	982	984
			7,296	7,301

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

Reasons for the Waiver
or Concession

UV - Coconut Wells	8.585% 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	7.935% 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	7.815% 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan	Instalment Plan	Unpaid Rates
		Admin Charge	Interest Rate	Interest Rate
		\$	%	%
Option One				11.00%
Single full payment	23-Aug-17			
Option Two			5.50%	11.00%
First instalment	23-Aug-17			
Second instalment	10-Jan-18	7		
Option Three			5.50%	11.00%
First instalment	23-Aug-17			
Second instalment	25-Oct-17	7		
Third instalment	10-Jan-18	7		
Fourth instalment	14-Mar-18	7		

	2018	
	2018	Budget
	\$	\$
Interest on unpaid rates	150,320	130,000
Interest on instalment plan	132,895	100,000
Charges on instalment plan	40,978	40,000
Payment arrangement fee	7,505	0
	<u>331,698</u>	<u>270,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 Carried Forward)	2018 (1 July 2017 Brought Forward)	2017 (30 June 2017 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 17 brought forward	4,346,500	3,606,464	3,606,464
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	7,086,441	6,223,947	6,223,947
Restricted	38,046,906	31,382,437	31,382,437
Receivables			
Rates outstanding	794,223	1,004,624	1,004,624
Sundry debtors	903,729	525,385	525,385
GST receivable	292,871	185,579	185,579
Bonds and Deposits held by others	48,978	42,498	42,498
Other current Receivables	545,538	100,490	100,490
Allowance for impairment - rates	(106,676)	(99,881)	(99,881)
Allowance for impairment - sundry debtors	(23,948)	(25,805)	(25,805)
Inventories			
Fuel and materials	28,554	29,614	29,614
BRAC Stock	5,461	7,031	7,031
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(2,705,671)	(2,421,490)	(2,421,490)
Accrued interest on long term borrowings	(3,017)	(3,875)	(3,875)
Accrued salaries and wages	(444,752)	(421,666)	(421,666)
ATO liabilities	(13,239)	(31,864)	(31,864)
Excess Rates	(245,753)	(199,608)	(199,608)
Prepaid Rent, Grants and Services	(159,401)	(162,440)	(162,440)
Accrued Expenses	(1,034,877)	(513,119)	(513,119)
Current portion of long term borrowings	(619,827)	(592,743)	(592,743)
Provisions			
Provision for annual leave	(1,355,813)	(1,313,724)	(1,313,724)
Provision for long service leave	(858,333)	(712,020)	(712,020)
Unadjusted net current assets	40,181,394	33,003,370	33,003,370
Adjustments			
Less: Reserves - restricted cash	(38,046,906)	(31,382,437)	(31,382,437)
Add: Leave Liability not expected to be paid within 12 months	1,592,185	1,392,788	1,392,788
Add: Current portion of long term borrowings	619,827	592,743	592,743
Adjusted net current assets - surplus/(deficit)	4,346,500	3,606,464	3,606,464

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

22. 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	45,133,347	37,606,384	45,133,347	37,606,384
Receivables	2,472,145	1,749,950	2,454,715	1,749,950
	47,605,492	39,356,334	47,588,062	39,356,334
Financial liabilities				
Payables	4,606,710	3,754,062	4,606,710	3,754,062
Borrowings	2,319,238	2,911,980	2,404,836	3,050,194
	6,925,948	6,666,042	7,011,546	6,804,256

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.

22. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio.

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 or their issuers or factors affecting similar instruments traded in a market.

Cash is 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.

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	451,333	376,064
- Statement of Comprehensive Income	451,333	376,064

Notes:

- ⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements.

22. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

Credit risk on rates and annual charges is minimised by the ability of the Shire to recover these debts as a secured charge over the land, that is, the land can be sold to recover the debt. The Shire is also able to charge interest on overdue rates and annual charges at higher than market rates, which further encourages payment.

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0.2%	0.4%
- Overdue	99.8%	99.6%
Percentage of other receivables		
- Current	74.1%	97.2%
- Overdue	25.9%	2.8%

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2018</u>	\$	\$	\$	\$	\$
Payables	4,606,710	0	0	4,606,710	4,606,710
Borrowings	712,581	1,819,755	0	2,532,336	2,319,238
	5,319,291	1,819,755	0	7,139,046	6,925,948
<u>2017</u>					
Payables	3,754,062	0	0	3,754,062	3,754,062
Borrowings	712,581	2,532,336	0	3,244,917	2,911,980
	4,466,643	2,532,336	0	6,998,979	6,666,042

22. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables and 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:

<u>Year ended 30 June 2018</u>	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	60,765	0	344,478	1,913,995	0	0	2,319,238	4.30%
Weighted average Effective interest rate	6.41%	0.00%	5.86%	3.95%	0.00%	0.00%		
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Long term borrowings	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%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23. 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 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Footpath Damage Deposits	32,276	0	0	32,276
Library Transient Borrower Deposits	69	0	0	69
Election Nomination Deposits	0	800	(800)	0
Civic Centre Takings	3,654	0	0	3,654
Other General Purpose Deposits	8,493	0	0	8,493
BCITF Collection & Refund Deposits	6,532	42,952	(48,665)	819
Town Planning Related Bond Deposits	106,207	0	0	106,207
Cemetery Plot Reservation Deposits	33,596	2,198	0	35,794
Recreation Facility use Bond Deposits	32,925	143,778	(127,408)	49,295
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	30,000	0	46,431
BRB Levy	5,948	44,642	(48,902)	1,688
Unclaimed Monies	19,523	60	0	19,583
Staff Rental Bonds	40,114	17,460	(10,480)	47,094
Key Deposits	2,545	0	0	2,545
Chinatown Revitalisation DRD Grant	9,169,409	73,546	(5,225,000)	4,017,955
	10,087,604	355,436	(5,461,255)	4,981,785

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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	<p>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.</p> <p>The effect of this Standard will depend on the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>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 into the 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 when AASB 16 is adopted.</p> <p>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.</p>

Notes:

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	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.

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:

(i) AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017
(ii) AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities	1 January 2017

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) 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.

Income approach

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

Cost approach

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

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

i) Impairment of assets

In accordance with Australian Accounting Standards the Shire's cash generating non-specialised 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 specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	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	To collect revenue to allow provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
HEALTH	To provide an operational framework for environmental and community health.	Food quality, eating house inspection, pest control and child health clinics.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Facilities for senior citizens aged care, infant, day care centres, pre-school; assistance to play group and other community services and development activities.
HOUSING	To provide and maintain staff housing.	Provision of staff housing.
COMMUNITY AMENITIES	To provide services required by the community.	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	To establish and effectively manage infrastructure and resource which will help the social being of the community.	Operation/maintenance of halls, Broome Recreation and Aquatic Centre (BRAC), various parks and reserves, beaches, library, museum and other cultural activities.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths and street lighting.
ECONOMIC SERVICES	To help promote the Council's economic well being.	The regulation and provision of tourism facilities, area promotion and building control.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads operating accounts.	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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

27. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	1.64	1.61	1.14
Asset consumption ratio	0.88	0.71	0.72
Asset renewal funding ratio	1.37	1.17	1.67
Asset sustainability ratio	0.22	0.66	0.29
Debt service cover ratio	11.86	8.50	5.97
Operating surplus ratio	(0.13)	(0.12)	(0.14)
Own source revenue coverage ratio	0.81	0.78	0.81

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

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	1,438,384	1,485,897	0
Amount of Financial Assistance Grant received in prior year relating to current year.	1,485,897	0	1,486,197

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	1.39	1.31	1.14
Debt service cover ratio	11.93	7.05	7.21
Operating surplus ratio	(0.13)	(0.16)	(0.10)
Own source revenue coverage ratio	0.81	0.78	0.81

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

Opinion

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 2018, 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:

- i. is based on proper accounts and reports; and
- ii. fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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 Shire 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.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1 to the financial report, which describes the basis of preparation. The financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives of the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. All required information and explanations were obtained by us.
- ii. All audit procedures were satisfactorily completed in conducting our audit.
- iii. In my opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Broome for the year ended 30 June 2018 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



GREGORY GODWIN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 10th day of October 2018.