



ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2014**

SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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**SHIRE OF BROOME
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Broome being the annual financial report and other information for the financial year ended 30th June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Broome at 30th June 2014 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the

10th day of October 2014.



K R DONOHUE
Chief Executive Officer

SHIRE OF BROOME
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Rates	22(a)	18,310,570	18,144,245	17,347,417
Operating Grants, Subsidies and Contributions	29	6,707,106	3,205,504	4,920,229
Fees and Charges	28	10,376,153	10,326,370	9,221,035
Interest Earnings	2(a)	1,206,358	899,828	1,419,542
Other Revenue		<u>1,784,345</u>	<u>81,000</u>	<u>16,138,061</u>
		<u>38,384,532</u>	<u>32,656,947</u>	<u>49,046,284</u>
Expenses				
Employee Costs		(15,944,766)	(15,503,751)	(14,069,418)
Materials and Contracts		(9,352,936)	(9,440,153)	(8,991,539)
Utility Charges		(1,788,334)	(1,646,640)	(1,816,564)
Depreciation on Non-Current Assets	2(a)	(5,926,365)	(6,521,400)	(6,389,858)
Interest Expenses	2(a)	(346,901)	(346,011)	(426,686)
Insurance Expenses		(687,303)	(648,892)	(555,643)
Other Expenditure		<u>(4,060,018)</u>	<u>(1,367,817)</u>	<u>(930,230)</u>
		<u>(38,106,623)</u>	<u>(35,474,664)</u>	<u>(33,179,938)</u>
		277,909	(2,817,717)	15,866,346
Non-Operating Grants, Subsidies and Contributions				
Non-Operating Grants, Subsidies and Contributions	29	4,840,478	6,936,807	9,920,277
Loss on Revaluation of Assets				(752,872)
Profit on Asset Disposal	20	9,182	51,424	252,366
Loss on Asset Disposal	20	<u>(115,596)</u>	<u>(77,000)</u>	<u>(41,137)</u>
		4,734,064	6,911,231	9,378,634
NET RESULT		5,011,973	4,093,514	25,244,980
Other Comprehensive Income				
Changes on revaluation of Land & Buildings non-current assets	12	<u>12,272,228</u>	<u>0</u>	<u>0</u>
Total Other Comprehensive Income		<u>12,272,228</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>17,284,201</u></u>	<u><u>4,093,514</u></u>	<u><u>25,244,980</u></u>

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

SHIRE OF BROOME
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Governance		3,416,182	192,600	246,185
General Purpose Funding		19,521,571	19,285,245	19,492,235
Law, Order, Public Safety		127,978	197,906	143,727
Health		171,869	124,000	168,306
Education and Welfare		96,546	56,300	103,179
Housing		646,622	529,798	608,148
Community Amenities		7,022,941	7,135,833	6,020,990
Recreation and Culture		1,180,917	1,193,913	17,296,696
Transport		718,800	663,818	1,191,548
Economic Services		975,539	1,001,640	984,665
Other Property and Services		<u>4,505,567</u>	<u>2,275,894</u>	<u>2,790,605</u>
2 (a)		38,384,532	32,656,947	49,046,284
Expenses Excluding Finance Costs				
Governance		(5,914,015)	(3,099,729)	(2,384,964)
General Purpose Funding		(266,170)	(152,672)	(109,788)
Law, Order, Public Safety		(1,475,125)	(1,518,789)	(1,531,333)
Health		(688,488)	(751,341)	(576,121)
Education and Welfare		(777,671)	(700,006)	(757,427)
Housing		(599,107)	(536,806)	(643,075)
Community Amenities		(9,114,734)	(9,555,132)	(7,850,897)
Recreation & Culture		(9,106,405)	(9,261,245)	(7,683,673)
Transport		(6,202,488)	(6,276,695)	(6,463,892)
Economic Services		(1,259,564)	(1,248,040)	(1,188,574)
Other Property and Services		<u>(2,355,955)</u>	<u>(2,028,198)</u>	<u>(4,316,380)</u>
2 (a)		(37,759,722)	(35,128,653)	(33,506,124)
Finance Costs				
Law, Order, Public Safety		(1,330)	(1,328)	(2,377)
Community Amenities		(7,433)	(7,296)	(9,844)
Recreation & Culture		(272,265)	(271,681)	(310,865)
Economic Services		(26,820)	(26,724)	(34,811)
Other Property and Services		<u>(39,053)</u>	<u>(38,982)</u>	<u>(68,789)</u>
2 (a)		(346,901)	(346,011)	(426,686)

SHIRE OF BROOME
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Non-Operating Grants, Subsidies and Contributions				
	29			
Housing		2,585,684	2,510,600	0
Community Amenities		66,400	170,560	522,578
Recreation & Culture		324,942	1,320,169	2,620,990
Transport		1,863,452	2,775,478	6,776,709
Other Property and Services		0	160,000	0
		<u>4,840,478</u>	<u>6,936,807</u>	<u>9,920,277</u>
Profit/(Loss) on Disposal of Assets	20			
Governance		0	0	10,004
Law, Order, Public Safety		(32,863)	(14,000)	0
Health		0	0	(2,829)
Education and Welfare		0	0	10,306
Housing		(63,356)	0	0
Community Amenities		0	11,700	(20)
Recreation & Culture		(1,386)	0	15,455
Economic Services		0	0	4,927
Other Property and Services		(8,809)	(23,276)	173,386
		<u>(106,414)</u>	<u>(25,576)</u>	<u>211,229</u>
NET RESULT		<u>5,011,973</u>	<u>4,093,514</u>	<u>25,244,980</u>
Other Comprehensive Income				
Changes on revaluation of Land & Buildings non-current assets	13	<u>12,272,228</u>	<u>0</u>	<u>0</u>
Total Other Comprehensive Income		<u>12,272,228</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>17,284,201</u></u>	<u><u>4,093,514</u></u>	<u><u>25,244,980</u></u>

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

SHIRE OF BROOME
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	27,339,666	25,729,206
Trade and Other Receivables	4	2,079,966	3,063,766
Inventories	5	45,345	34,681
TOTAL CURRENT ASSETS		<u>29,464,977</u>	<u>28,827,653</u>
NON-CURRENT ASSETS			
Other Receivables	4	17,498	20,267
Property, Plant and Equipment	6	89,462,110	73,901,256
Infrastructure	7	108,905,008	107,252,727
TOTAL NON-CURRENT ASSETS		<u>198,384,616</u>	<u>181,174,250</u>
TOTAL ASSETS		<u>227,849,593</u>	<u>210,001,903</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	4,962,334	3,480,689
Long Term Borrowings	9	1,273,806	1,240,950
Provisions	10	2,166,958	1,932,344
TOTAL CURRENT LIABILITIES		<u>8,403,098</u>	<u>6,653,983</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	4,768,742	6,042,548
Provisions	10	309,950	221,770
TOTAL NON-CURRENT LIABILITIES		<u>5,078,692</u>	<u>6,264,318</u>
TOTAL LIABILITIES		<u>13,481,790</u>	<u>12,918,301</u>
NET ASSETS		<u>214,367,803</u>	<u>197,083,602</u>
EQUITY			
Retained Surplus		126,856,665	122,678,941
Reserves - Cash/Investment Backed	11	23,463,008	22,628,759
Reserves - Asset Revaluation	12	64,048,130	51,775,902
TOTAL EQUITY		<u>214,367,803</u>	<u>197,083,602</u>

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

**SHIRE OF BROOME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	ASSET REVALUATION RESERVES \$	TOTAL EQUITY \$
Balance as at 1 July 2012		96,351,495	23,711,225	51,775,902	171,838,622
Comprehensive Income Net		25,244,980	0	0	25,244,980
Land & Buildings Revaluation Increment		0	0	0	0
Changes on Revaluation of Non-Current Assets	12	0	0	0	0
Reserve Transfers To/(From)		<u>1,082,466</u>	<u>(1,082,466)</u>	<u>0</u>	<u>0</u>
Balance as at 1 July 2013		122,678,941	22,628,759	51,775,902	197,083,602
Comprehensive Income Net		5,011,973	0	0	5,011,973
Changes on Revaluation of Non-Current Assets	12	0	0	12,272,228	12,272,228
Reserve Transfers To/(From)		<u>(834,249)</u>	<u>834,249</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2014		<u>126,856,665</u>	<u>23,463,008</u>	<u>64,048,130</u>	<u>214,367,803</u>

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

**SHIRE OF BROOME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Cash Flows From Operating Activities				
Receipts				
Rates		18,203,453	18,044,245	17,096,200
Operating Grants, Subsidies and Contributions		7,923,582	3,205,504	3,302,546
Fees and Charges		10,037,621	10,526,370	9,221,035
Interest Earnings		1,206,418	899,828	1,419,542
Goods and Services Tax		3,054,475	2,066,868	4,320,804
Other Revenue		22,463	81,000	61,529
		<u>40,448,012</u>	<u>34,823,815</u>	<u>35,421,656</u>
Payments				
Employee Costs		(15,537,685)	(15,303,751)	(13,776,312)
Materials and Contracts		(7,740,693)	(9,130,153)	(8,422,551)
Utility Charges		(1,788,334)	(1,646,640)	(1,816,564)
Interest expenses		(356,420)	(356,252)	(437,676)
Insurance Expenses		(687,303)	(648,892)	(555,643)
Goods and Services Tax		(3,185,882)	(2,096,868)	(4,097,915)
Other Expenditure		(3,942,937)	(1,367,817)	(930,230)
		<u>(33,239,254)</u>	<u>(30,550,373)</u>	<u>(30,036,891)</u>
Net Cash Provided By Operating Activities	13(b)	<u>7,208,758</u>	<u>4,273,442</u>	<u>5,384,765</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(4,788,832)	(6,921,510)	(8,175,691)
Payments for Construction of		(4,530,068)	(8,468,330)	(8,490,919)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		4,840,478	6,936,807	9,920,277
Proceeds from Sale of Plant & Equipment		102,091	277,000	508,904
		<u>102,091</u>	<u>277,000</u>	<u>508,904</u>
Net Cash Provided By (Used In) Investing Activities		(4,376,331)	(8,176,033)	(6,237,429)
Cash Flows from Financing Activities				
Repayment of Debentures		(1,240,948)	(1,240,949)	(1,316,666)
Proceeds from Self Supporting Loans		18,981	18,981	70,275
		<u>18,981</u>	<u>18,981</u>	<u>70,275</u>
Net Cash Provided By (Used In) Financing Activities		(1,221,967)	(1,221,968)	(1,246,391)
Net Increase (Decrease) in Cash Held		1,610,460	(5,124,559)	(2,099,055)
Cash at Beginning of Year		25,729,206	24,442,143	27,828,261
Cash and Cash Equivalents at the End of the Year	13(a)	<u>27,339,666</u>	<u>19,317,584</u>	<u>25,729,206</u>

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

**SHIRE OF BROOME
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		3,416,182	192,600	256,189
General Purpose Funding		1,211,001	1,141,000	2,144,818
Law, Order, Public Safety		127,978	197,906	143,727
Health		171,869	124,000	165,477
Education and Welfare		96,546	56,300	113,485
Housing		3,232,306	3,040,398	608,148
Community Amenities		7,089,341	7,318,093	7,083,463
Recreation and Culture		1,505,859	2,514,082	19,933,141
Transport		2,582,252	3,439,296	7,968,257
Economic Services		975,539	1,001,640	989,592
Other Property and Services		4,514,750	2,475,618	2,963,991
		<u>24,923,623</u>	<u>21,500,933</u>	<u>42,370,288</u>
Expenses				
Governance		(5,914,015)	(3,099,729)	(2,384,964)
General Purpose Funding		(266,170)	(152,672)	(109,788)
Law, Order, Public Safety		(1,509,317)	(1,534,117)	(1,533,710)
Health		(688,488)	(751,341)	(576,121)
Education and Welfare		(777,671)	(700,006)	(757,427)
Housing		(662,463)	(536,806)	(643,075)
Community Amenities		(9,122,167)	(9,562,428)	(7,860,741)
Recreation & Culture		(9,380,056)	(9,532,926)	(7,994,538)
Transport		(6,202,488)	(6,276,695)	(6,463,892)
Economic Services		(1,286,384)	(1,274,764)	(1,223,385)
Other Property and Services		(2,413,004)	(2,130,180)	(4,385,169)
		<u>(38,222,223)</u>	<u>(35,551,664)</u>	<u>(33,932,810)</u>
Net Result Excluding Rates		(13,298,600)	(14,050,731)	8,437,478
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
Initial Recognition of Assets Due to Change in Regulations				
- Land		0	0	(16,076,532)
(Profit)/Loss on Asset Disposals	20	106,414	25,576	(211,229)
Movement in Deferred Pensioner Rates (Non-Current)		(7,131)		
Movement in Employee Benefit Provisions		126,774	(10,241)	12,084
Non-Cash Contribution of Assets Acquisition		(1,756,875)	0	0
Depreciation on Assets	2(a)	5,926,365	6,521,400	6,389,858
Loss on Revaluation of Assets	6(a)			752,872

SHIRE OF BROOME
RATE SETTING STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 Actual	2014 Budget	2013 Actual
Capital Expenditure and Revenue				
Purchase Land and Buildings	6(a)	(3,786,169)	(5,511,725)	(4,739,215)
Purchase Infrastructure Assets - Drainage	7(a)	(162,897)	(309,790)	(228,541)
Purchase Infrastructure Assets - Roads, Carparks,	7(a)	(3,418,619)	(4,625,200)	(7,138,003)
Purchase Infrastructure Assets - Recreation Areas	7(a)	(345,509)	(1,781,990)	(687,227)
Purchase Infrastructure Assets - Other	7(a)	(603,044)	(1,751,350)	(437,148)
Purchase Plant and Equipment	6(a)	(817,246)	(1,117,800)	(2,954,904)
Purchase Furniture and Equipment	6(a)	(185,418)	(291,985)	(481,572)
Proceeds from Disposal of Assets	20	102,091	277,000	508,904
Repayment of Debentures	21(a)	(1,240,948)	(1,240,950)	(1,316,666)
Self-Supporting Loan Principal Income		18,981	18,981	70,275
Transfers to Reserves and Restricted Cash Assets	11	(4,124,165)	(2,360,622)	(7,147,379)
Transfers from Reserves and Restricted Cash Assets	11	3,289,916	6,246,290	8,229,845
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	2,453,448	1,818,891	2,663,046
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	587,938	0	2,453,448
Amount Required to be Raised from Rates	22(a)	<u>18,310,570</u>	<u>18,144,246</u>	<u>16,807,502</u>

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(a) Basis of Preparation

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

Except for cash flow and rate setting information, the report has also 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 Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19. to these financial statements.

(b) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

(c) Cash and Cash Equivalents

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

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

(f) Fixed Assets

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

Mandatory Requirement to Revalue Non-Current Assets

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

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land Under Control

In accordance with Local Government (Financial Management) Regulation 16(a), the Council 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.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Initial Recognition and Measurement between Mandatory Revaluation Dates

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

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

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

Revaluation

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

Transitional Arrangements

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** Methodology section as detailed above.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

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 Council.

Depreciation

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

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

a) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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

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

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

Fair Value is the price that Council 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. 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 (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Council 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 Council are consistent with one or more of the following valuation approaches:

Market approach

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council 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 and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council 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 non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

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

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

(j) Trade and Other Payables

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when the Council has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) Rates, Grants, Donations and Other Contributions

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

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

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

(p) Superannuation

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

(q) Current and Non-Current Classification

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

(r) Current and Non-Current Classification

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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

(u) Budget Comparative Figures

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Management's assessment of the new and amended pronouncements that are relevant to the Council, 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	December 2013	1 January 2017	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 Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard is not expected to significantly impact the Council's financial statements.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	It is not expected to have a significant impact on Council. This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities. It is not expected to have a significant impact on Council.
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards. Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031. Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value. As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUES AND EXPENSES	2014	2013
	\$	\$
(a) Net Result		
The Result from Ordinary Activities includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	44,372	50,728
- Other Services	7,050	19,004
	<u>51,422</u>	<u>69,732</u>
Depreciation		
Buildings	1,926,074	1,856,450
Furniture and Equipment	432,142	363,014
Plant and Equipment	690,361	1,194,676
Roads, Footpaths & Transport Infrastructure	2,167,425	2,311,503
Parks and Reserves	380,208	365,789
Drainage	145,788	142,767
Other Infrastructure	184,367	155,659
	<u>5,926,365</u>	<u>6,389,858</u>
Interest Expenses (Finance Costs)		
Overdraft Interest	0	7
Debentures (<i>refer Note 21(a)</i>)	346,901	426,679
	<u>346,901</u>	<u>426,686</u>
Rental Charges		
- Operating Leases	621,066	324,167
Other Revenue		
- Other Revenue	27,470	61,530
- Reimbursements and Recoverables	1,155,565	1,176,005
Significant Expenditure		
Goverance	2,874,026	0
Other Property and Services	0	752,872
	<u>2,874,026</u>	<u>752,872</u>
2013. Significant expenditure relates to the Loss on Revaluation of Plant and Equipment.		
2014. Significant expenditure relates to the distribution of a CLGF Key Worker Housing Grant to three Kimberley Shires.		
Significant Revenue		
Recreation and Culture	0	16,076,532
Other Property & Services		
- St John Ambulance Building	1,588,125	
- Naval Cadets Training Facility Building	168,750	
	<u>1,756,875</u>	<u>16,076,532</u>

2013. This significant revenue relates to the initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations. They have been classified as Other Revenue by Nature or Type.

2014. This significant revenue relates to the initial recognition of Buildings on Land under the Shire's control in accordance with amendments to the Financial Management Regulations. They have been classified as Other Revenue by Nature or Type.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUES AND EXPENSES (Continued)

(ii) Crediting as Revenue:	2014	2014	2013
	\$	Budget	\$
		\$	
Interest Earnings			
Interest Earnings			
- Reserve Funds	815,640	549,939	1,001,716
- Other Funds	189,005	183,000	245,856
- Self Supporting Loans	1,417	1,328	7,546
Other Interest Revenue (<i>refer note 27</i>)	200,296	165,561	164,424
	<u>1,206,358</u>	<u>899,828</u>	<u>1,419,542</u>

(b) Statement of Objective

The Shire has adopted a Strategic Community Plan 2013 - 2023 which sets out the following vision and mission: (Adopted at Special Council Meeting 27 June 2013)

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.

MISSION

To deliver affordable and quality Local Government services.

Council operations as disclosed in the budget encompass the following service orientated activities/programs:

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

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

EDUCATION AND WELFARE

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

HOUSING

Provision of staff housing.

COMMUNITY AMENITIES

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

RECREATION AND CULTURE

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

TRANSPORT

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

ECONOMIC SERVICES

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

OTHER PROPERTY AND SERVICES

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

SHIRE OF BROOME - NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUES AND EXPENSES (Continued)

(c) Conditions Over Contributions

Program	Opening Balance ⁽¹⁾		Received ⁽²⁾		Expended ⁽³⁾		Closing Balance ⁽¹⁾		Expended ⁽³⁾		Closing Balance	
	1 July 2012	\$	2012/2013	\$	2012/2013	\$	30 June 2013	\$	2013/2014	\$	30 June 2014	\$
Grant/Contribution												
Don't Zoom in Broome Project Grant		2,096					2,096		0			2,096
EDL sponsorship and spent		403,805	21,918	(39,060)		386,663		15,339	(44,576)		357,426	
DLG Asset Management, Strategic/Financial Planning Grant		10,700	0	(10,700)		0		0	0		0	
DLGC National Youth Week Grant		0	0	0		0		1,000	(753)		247	
FESA State Emergency Service & Volunteer Bush Fire Brigade Operational and Grant funding		0	17,093	0		17,093		0	0		17,093	
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 2013/2014 for Mosquito control		0	0	0		0		13,268	(5,822)		7,446	
Office of Crime Prevention Grant - Community Safety & Crime Prevention Plan & LGA Partnership Fund - Initiative Lighting Up Anne St Precinct		3,837	0	0		3,837		0	0		3,837	
Department of Attorney-General - Hypernight Grant		0	0	0		0		50,000	(47,500)		2,500	
Care of Families & Children Grants - Broome Iterants Strategy		9,507	0	0		9,507		0	0		9,507	
OTCAM Donation for Broome Cemetery Committee from Mollie Bean		150	0	0		150		0	0		150	
Department of Regional Development - Northern Planning Fund - Land Use Supply Design & Documentation of Coastal Revetment from Town Beach to Catalinas Grant		27,498	0	(27,498)		0		174,410	(85,234)		89,176	
Rangelands NRM Water Quality Monitoring Program - Protection of Environment		12,000	0	(10,909)		1,091		0	0		1,091	
Rangelands NRM State of the Environment Report - Protection of Environment		0	0	0		0		50,000	(21,800)		28,200	
DLG Grant Chinatown Development Grant Job 107671 (Public Shade Chinatown)		0	210,000	0		210,000		0	(126,843)		83,157	
DRD Grant CLGF 2012/2013 Funding Allocation job 116129 (Jetty to Jetty Project Design & Construction, Feasibility & Planning)		0	221,080	0		221,080		0	(199,647)		21,433	
Local Government RforR 12-13 Grant - BRAC Aquatic - Exp job 117127		0	169,789	0		169,789		0	(169,289)		500	
Parks and Ovals Grants - Lions Club BBQ grant.		330	0	0		330		0	0		330	
Library - Children's Book Council Aust (CBCA WA) Contributions		2,793	0	(2,793)		0		0	0		0	
State Library of WA - Library Grant		0	0	0		0		23,387	(21,280)		2,107	
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		0	54,059	0		54,059		0	(18,420)		35,639	
Road Construction - Fredercik st at High School Upgrade - Black Spot State		7,717	0	(7,717)		0		0	0		0	
Road Construction - Regional Rd Group (RRG) Rural Rd Construction - Camarvon St Napier Tce Roundabout		93,333	0	0		93,333		0	(93,333)		0	
RRG Rural Rd Construction - Clementson St Upgrade Works Stage 1		179,372	0	(179,372)		0		0	0		0	

SHIRE OF BROOME - NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUES AND EXPENSES (Continued)

(c) Conditions Over Contributions (Continued)

	Grant/Contribution	Program	Opening Balance ⁽¹⁾		Expended ⁽²⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾		Expended ⁽³⁾	Closing Balance
			1 July 2012	2012/2013			2012/2013	30 June 2013		
			\$	\$	\$	\$	\$	\$	\$	\$
Road Const. - Rural road Construction Celementson St Upgrade Infra Stage 2		Transport	75,046	0	(75,046)	0	0	0	0	0
Footpath Construction - Shire of Broome contributions to Bikewest RBN local govt grants scheme		Transport	29,499	0	(29,499)	0	0	0	0	0
Rds To Recovery Non Op Grant for Urban Rds - Clementson St Upgrade Works Stage 2		Transport	109,000	0	(109,000)	0	0	0	0	0
Road Maintenance - Office Native Title Morrell Park maintenance		Transport	330,000	0	(20,914)	309,086	0	(29,849)	279,237	0
Roads to Recovery Unspent Grant re Carnarvon St Napier Tce Roundabout		Transport	0	116,667	0	116,667	0	(116,667)	0	0
Roads to Recovery Unspent Grant re Clementson St Upgrade Infra Stage 3		Transport	0	14,104	0	14,104	0	0	14,104	0
Roads to Recovery Unspent Grant re Unallocated		Transport	0	23,101	0	23,101	0	0	23,101	0
Street Lighting Const Grant Undergrnd Power C/Town Upgrade		Transport	0	30,848	0	30,848	0	(30,800)	48	0
MRD Grant Remote Access Road Grant - (Broome - Cape Leveque Road)		Transport	0	1,006	0	1,006	0	0	1,006	0
WALGA Grant Road Safety Activities		Transport	0	1,200	0	1,200	0	0	1,200	0
Tourism Grants - Visitors Center & Railway Line Project		Economic Services	50,000	0	0	50,000	0	0	50,000	0
Perth Royal Show - Guest Town Promotion Contributions		Economic Services	0	0	0	0	25,000	(19,341)	5,659	0
Corporate Governance and Support - R4R (KRGs) - Senior Special Project Officer		Other Property & Services	55,156	0	(55,156)	0	0	0	0	0
Corporate Governance and Support - R4R CLGF Yr2 Forward Buildings Capital Works Plan Grant		Other Property & Services	24,092	0	(24,092)	0	0	0	0	0
WA POLICE HEADQUARTERS Community Safety Grant - (New Visitor Centre Building Upgrade CCTV)		Other Property & Services	0	24,905	0	24,905	0	(22,870)	2,035	0
	Total		1,480,367	905,770	(591,756)	1,794,381	352,404	(1,054,024)	1,092,761	

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 and which were expended in the current reporting period in the manner specified by the contributor.

(4) - Conditions Over Contributions includes \$735,336 of Unspent Grants held in the Restricted Cash Reserve at 30 June 2014 and \$357,425 held in the EDL Reserve at 30 June 2014.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	3,876,658	3,100,447
Restricted	23,463,008	22,628,759
	27,339,666	25,729,206

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

Leave Reserve	1,725,163	1,686,567
Building Reserve	2,832,185	3,377,754
Public Open Space Reserve	1,195,098	1,210,374
Drainage Reserve	1,729,997	1,654,777
Plant Reserve	1,055,259	934,010
BRAC Reserve	58,867	65,795
Road Reserve	1,146,835	1,424,386
Footpath Reserve	2,818,310	2,447,133
Car Park Reserve	397,832	371,046
Equipment & Insurance Reserve	291,662	204,420
Refuse Site Reserve	4,640,534	4,228,863
Restricted Cash Reserve **	2,769,059	3,561,971
EDL Reserve	357,425	386,663
Resource Recovery Reserve	2,005,562	900,000
Kimberly Zone Reserve	427,722	175,000
Community Sponsorship Reserve	11,498	0
	23,463,008	22,628,759

**Included in the Restricted Cash Reserve at 30 June 2014 is \$735,336 of Unspent Grants and \$2,033,723 of Unspent Loans (refer Note 21(c)).

4. TRADE AND OTHER RECEIVABLES

Current

Rates Outstanding	494,038	461,429
Sundry Debtors	1,365,755	2,203,638
ATO Receivable	162,654	66,238
Loans - Clubs/Institutions	9,901	18,981
Bonds and Deposits held by others	42,098	66,650
Other current receivables	5,520	246,830
	2,079,966	3,063,766

Non-Current

Rates Outstanding - Pensioners	17,498	10,366
Loans - Clubs/Institutions	0	9,901
	17,498	20,267

5. INVENTORIES

Current

Fuel, Cement	35,806	22,646
BRAC Stock	9,539	12,035
	45,345	34,681

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Land vested in and under the control of Council		
- at cost	16,076,532	16,076,532
Freehold Land at:		
- Independent Valuation 2011		3,020,000
- Independent Valuation 2014	5,820,000	
Total Land	<u>21,896,532</u>	<u>19,096,532</u>
Buildings at:		
- Cost	0	11,397,184
- Independent Valuation 2012	0	65,410,824
- Independent Valuation 2014	59,724,538	
Less Accumulated Depreciation	0	<u>(29,877,682)</u>
Total Buildings	<u>59,724,538</u>	<u>46,930,326</u>
Total Land and Buildings	<u>81,621,070</u>	<u>66,026,858</u>
Furniture and Equipment - Cost	3,061,293	2,884,071
Less Accumulated Depreciation	<u>(2,414,812)</u>	<u>(1,989,479)</u>
	646,481	894,592
Plant and Equipment - Independent Valuation 2013	6,916,450	6,916,450
Plant and Equipment - Cost	665,878	0
Less Accumulated Depreciation	<u>(682,756)</u>	<u>0</u>
	6,899,572	6,916,450
Work in Progress - Land and Buildings	<u>294,987</u>	<u>63,356</u>
	<u>89,462,110</u>	<u>73,901,256</u>

Plant and Equipment:

The Shire's Plant and Equipment was revalued at 30 June 2013 by management, having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs in the fair value hierarchy).

Given the significance of the Level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

The 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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
\$	\$

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land - Vested in and under the Control of Council

In accordance with Local Government (Financial Management) Regulation 16(a). Council is required to include as an asset Crown Land under the control of the local government that is operated as a golf course, showground, racecourse or other sporting or recreational facility of State or regional significance.

Under this regulation Crown Reserve 22648 being operated as the Broome Turf Club and Crown Reserves 293000 and 33592 being operated as the Broome Golf Course, have been recognised as Land Under Control as at 30 June 2013, in accordance with AASB 116 at a cost of \$16,076,532

Land - Freehold

The Shire's Freehold Land was revalued at 30th June 2014 by Liquid Pacific. The revaluation resulted in an increment of \$1,440,000 in the net value of the Shire's Freehold Land, which has been recognised in the Statement of Comprehensive Income and as an increase in the Shire's Land and Buildings Revaluation Reserve.

Given the significance of the Level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

The 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.

Buildings:

The Shire's Buildings were revalued at 30th June 2014 by Liquid Pacific. The revaluation resulted in an increment of \$10,832,228 in the net value of the Shire's Buildings, which has been recognised in the Statement of Comprehensive Income and as an increase in the Shire's Land and Buildings Revaluation Reserve.

The Shire also recognised the value of two buildings constructed on Land the subject of a management order in favour of the Shire. The \$1,756,875 value of the buildings has been recognised in the Statement of Comprehensive Income as other revenue.

Given the significance of the Level 3 inputs into the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

The 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.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 (Level 3) \$	Buildings (Level 3) \$	Total Land and Buildings \$	Plant and Equipment (Level 3) \$	Furniture and Equipment \$	Work in Progress \$	Total \$
Balance as at the beginning of the year	19,096,532	46,930,326	66,026,858	6,916,450	894,592	63,356	73,901,256
Additions	1,360,000	3,888,058	5,248,058	817,246	185,417	294,987	6,545,708
(Disposals)				(143,763)	(1,386)	(63,356)	(208,505)
Revaluation - Increments - (Decrements)	1,440,000	10,832,228	12,272,228	0			12,272,228
Depreciation (Expense)		(1,926,074)	(1,926,074)	(690,361)	(432,142)		(3,048,577)
Reclassifications			0				0
Carrying amount at the end of year	<u>21,896,532</u>	<u>59,724,538</u>	<u>81,621,070</u>	<u>6,899,572</u>	<u>646,481</u>	<u>294,987</u>	<u>89,462,110</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
7. INFRASTRUCTURE		
Roads - Management Valuation 2011	100,970,790	100,970,790
Roads - At cost	11,327,785	8,426,369
Less Accumulated Depreciation	<u>(30,747,074)</u>	<u>(28,813,939)</u>
	81,551,501	80,583,220
Carparks, Footpaths & Bridges - At cost	10,545,224	10,092,902
Less Accumulated Depreciation	<u>(2,829,410)</u>	<u>(2,595,119)</u>
	7,715,814	7,497,783
Recreation Areas - At cost	13,487,762	13,172,643
Less Accumulated Depreciation	<u>(3,588,524)</u>	<u>(3,208,316)</u>
	9,899,238	9,964,327
Drainage - Cost	8,909,983	8,747,086
Less Accumulated Depreciation	<u>(2,050,513)</u>	<u>(1,904,726)</u>
	6,859,470	6,842,360
Other Infrastructure - At cost	4,107,204	3,747,479
Less Accumulated Depreciation	<u>(1,566,810)</u>	<u>(1,382,442)</u>
	2,540,394	2,365,037
Work in Progress - Recreation Areas Infrastructure	30,390	0
Work in Progress - Roads, F/Paths & Bridges Infrastructure	64,882	0
Work in Progress - Other Infrastructure	<u>243,319</u>	<u>0</u>
	338,591	0
	<u>108,905,008</u>	<u>107,252,727</u>

In accordance AASB116 all Road and Other Infrastructure non-current assets are due for revaluation by 30 June 2015 (if not performed prior) and will be subject to the requirements of AASB 13 upon revaluation.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Roads Infrastructure \$	Carparks, Footpaths & Bridges \$	Recreation Infrastructure \$	Drainage Infrastructure \$	Other Infrastructure \$	Work in Progress \$	Total \$
Balance as at the beginning of the year	80,583,220	7,497,783	9,964,327	6,842,360	2,365,037	0	107,252,727
Additions	2,901,416	452,322	315,119	162,897	359,724	338,591	4,530,069
(Disposals)						0	0
Depreciation (Expense)	(1,933,135)	(234,291)	(380,208)	(145,787)	(184,367)		(2,877,788)
Balance as at 30 June 2014	<u>81,551,501</u>	<u>7,715,814</u>	<u>9,899,238</u>	<u>6,859,470</u>	<u>2,540,394</u>	<u>338,591</u>	<u>108,905,008</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	4,509,639	2,216,729
Accrued Interest on Debentures	22,120	31,639
Accrued Salaries and Wages	212,278	132,672
ATO Amounts Payable	0	35,317
Excess Rates	153,918	137,078
Prepaid Rent, Grants and Services	2,743	196,357
Accrued Expenses	61,636	730,897
	<u>4,962,334</u>	<u>3,480,689</u>

9. LONG-TERM BORROWINGS

Current

Secured by Floating Charge
 Debentures

	1,273,806	1,240,950
	<u>1,273,806</u>	<u>1,240,950</u>

Non-Current

Secured by Floating Charge
 Debentures

	4,768,742	6,042,548
	<u>4,768,742</u>	<u>6,042,548</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	2,166,959	1,932,345
Non Current	309,950	221,770
	<u>2,476,909</u>	<u>2,154,115</u>

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2013	1,261,450	892,665	2,154,115
Movement in provision	79,991	242,803	322,794
Balance at 30 June 2014	<u>1,341,441</u>	<u>1,135,468</u>	<u>2,476,909</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	1,686,568	1,672,325	1,599,738
Amount Set Aside / Transfer to Reserve	67,863	51,100	86,830
Amount Used / Transfer from Reserve	<u>(29,268)</u>	<u>0</u>	<u>0</u>
	<u>1,725,163</u>	<u>1,723,425</u>	<u>1,686,568</u>
(b) Building Reserve			
Opening Balance	3,377,754	2,985,200	3,969,365
Amount Set Aside / Transfer to Reserve	183,157	97,500	581,530
Amount Used / Transfer from Reserve	<u>(728,726)</u>	<u>(921,711)</u>	<u>(1,173,141)</u>
	<u>2,832,185</u>	<u>2,160,989</u>	<u>3,377,754</u>
(c) Public Open Space Reserve			
Opening Balance	1,210,374	1,168,419	1,551,584
Amount Set Aside / Transfer to Reserve	55,390	39,737	91,715
Amount Used / Transfer from Reserve	<u>(70,666)</u>	<u>(468,921)</u>	<u>(432,925)</u>
	<u>1,195,098</u>	<u>739,235</u>	<u>1,210,374</u>
(d) Drainage Reserve			
Opening Balance	1,654,777	1,576,774	1,524,970
Amount Set Aside / Transfer to Reserve	133,260	128,860	350,202
Amount Used / Transfer from Reserve	<u>(58,040)</u>	<u>(88,790)</u>	<u>(220,395)</u>
	<u>1,729,997</u>	<u>1,616,844</u>	<u>1,654,777</u>
(e) Plant Reserve			
Opening Balance	934,010	533,412	2,008,363
Amount Set Aside / Transfer to Reserve	307,695	21,300	430,079
Amount Used / Transfer from Reserve	<u>(186,446)</u>	<u>(139,997)</u>	<u>(1,504,432)</u>
	<u>1,055,259</u>	<u>414,715</u>	<u>934,010</u>
(f) BRAC (Leisure Centre) Reserve			
Opening Balance	65,795	65,239	62,408
Amount Set Aside / Transfer to Reserve	49,072	1,400	3,387
Amount Used / Transfer from Reserve	<u>(56,000)</u>	<u>(40,000)</u>	<u>0</u>
	<u>58,867</u>	<u>26,639</u>	<u>65,795</u>
(g) Road Reserve			
Opening Balance	1,424,386	1,697,075	1,462,869
Amount Set Aside / Transfer to Reserve	311,865	41,900	1,276,225
Amount Used / Transfer from Reserve	<u>(589,416)</u>	<u>(657,832)</u>	<u>(1,314,708)</u>
	<u>1,146,835</u>	<u>1,081,143</u>	<u>1,424,386</u>
(h) Footpath Reserve			
Opening Balance	2,447,133	2,880,818	1,919,041
Amount Set Aside / Transfer to Reserve	581,430	83,200	725,219
Amount Used / Transfer from Reserve	<u>(210,253)</u>	<u>(298,170)</u>	<u>(197,127)</u>
	<u>2,818,310</u>	<u>2,665,848</u>	<u>2,447,133</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED (continued)			
(i) Car Park Reserve			
Opening Balance	371,046	382,053	295,298
Amount Set Aside / Transfer to Reserve	26,786	23,030	135,028
Amount Used / Transfer from Reserve	0	0	(59,280)
	<u>397,832</u>	<u>405,083</u>	<u>371,046</u>
(j) IT and Equipment Reserve			
Opening Balance	204,420	89,048	325,957
Amount Set Aside / Transfer to Reserve	124,242	109,315	205,692
Amount Used / Transfer from Reserve	(37,000)	0	(327,229)
	<u>291,662</u>	<u>198,363</u>	<u>204,420</u>
(k) Refuse Site Reserve			
Opening Balance	4,228,863	3,911,793	3,989,933
Amount Set Aside / Transfer to Reserve	759,455	720,268	1,280,703
Amount Used / Transfer from Reserve	(347,784)	(1,810,080)	(1,041,773)
	<u>4,640,534</u>	<u>2,821,981</u>	<u>4,228,863</u>
(l) Restricted Cash Reserve			
Opening Balance	3,561,971	3,344,534	4,597,894
Amount Set Aside / Transfer to Reserve	135,335	0	883,852
Amount Used / Transfer from Reserve	(928,247)	(1,740,789)	(1,919,775)
	<u>2,769,059</u>	<u>1,603,745</u>	<u>3,561,971</u>
(m) EDL Reserve			
Opening Balance	386,662	386,475	403,805
Amount Set Aside / Transfer to Reserve	15,339	10,600	21,917
Amount Used / Transfer from Reserve	(44,576)	(80,000)	(39,060)
	<u>357,425</u>	<u>317,075</u>	<u>386,662</u>
(n) Resource Recovery Park Reserve			
Opening Balance	900,000	900,000	0
Amount Set Aside / Transfer to Reserve	1,105,562	1,026,412	900,000
Amount Used / Transfer from Reserve	0	0	0
	<u>2,005,562</u>	<u>1,926,412</u>	<u>900,000</u>
(o) Kimberley Zone Reserve			
Opening Balance	175,000	0	0
Amount Set Aside / Transfer to Reserve	252,722	175,000	175,000
Amount Used / Transfer from Reserve	0	5,300	0
	<u>427,722</u>	<u>180,300</u>	<u>175,000</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED (continued)			
(o) Community Sponsorship Reserve			
Opening Balance	0	22,000	0
Amount Set Aside / Transfer to Reserve	14,992	700	0
Amount Used / Transfer from Reserve	<u>(3,494)</u>	<u>0</u>	<u>0</u>
	<u>11,498</u>	<u>22,700</u>	<u>0</u>
TOTAL CASH BACKED RESERVES	<u>23,463,008</u>	<u>17,904,497</u>	<u>22,628,759</u>

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

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

Leave Reserve

To be used to fund annual and long service leave requirements.

Building Reserve

To be used for renewal, upgrade, replacement or new building construction.

Public Open Space Reserve

To be used for renewal, upgrade, replacement or new public open space facilities.
Any contributions from developers are held in Trust.

Drainage Reserve

To be used for the construction of drainage headworks. Typically funds are from contributions made by developers.

Plant Reserve

To be used for the renewal, upgrade or purchase of new mobile plant and engineering equipment

BRAC (Leisure Centre) Reserve

To be used for the construction of recreation infrastructure and facilities.

Road Reserve

To be used for renewal, upgrade, replacement or new streets and roads.

Footpath Reserve

To be used for renewal, upgrade, replacement or new footpaths.
Typically funds are from contributions made by developers.

Carpark Reserve

To be used for renewal, upgrade, replacement or new carparks.
Typically funds are from "Cash In Lieu" payments from developers.

IT and Equipment Reserve

To be used to pay for renewal, upgrade or new office equipment and IT hardware.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

11. RESERVES - CASH BACKED (continued)

Refuse Site Reserve

To be used for the current and future costs of maintaining the refuse site in accordance with operational needs and environmental guidelines.

Restricted Cash Reserve

To be used for unspent grant and loan funds.

EDL Reserve

To hold funds to be spent on community projects as approved by Energy Development Limited.

Resource Recovery Park Reserve

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.

Kimberley Zone Reserve

To hold funds set aside annually to fund future projects and initiatives for the Kimberley Zone of WALGA and/or Regional Collaborative Groups.

Community Sponsorship Reserve

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.

12. RESERVES - ASSET REVALUATION

2014
\$

2013
\$

Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:

(a) Land and Buildings		
Opening Balance	23,419,682	23,419,682
Revaluation Increment	12,272,228	0
	35,691,910	23,419,682
 (b) Infrastructure Including Roads		
Opening Balance	28,356,220	28,356,220
	28,356,220	28,356,220
 TOTAL ASSET REVALUATION RESERVES	64,048,130	51,775,902

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the balance sheet as follows:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>27,339,666</u>	<u>19,317,584</u>	<u>25,729,206</u>

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

Net Result	5,011,973	4,093,514	25,244,980
Depreciation	5,926,365	6,521,400	6,389,858
(Profit)/Loss on Sale of Asset	106,414	25,576	(211,229)
(Increase)/Decrease in Receivables	967,588	109,759	(1,646,011)
(Increase)/Decrease in Inventories	(10,664)	(10,000)	(5,659)
Increase/(Decrease) in Payables	1,481,641	270,000	574,332
Increase/(Decrease) in Employee Provisions	322,794	200,000	282,431
Loss on Revaluation of Assets			752,872
Grants/Contributions for the Development of Assets	(4,840,478)	(6,936,807)	(9,920,277)
Non-Current Assets recognised due to changes in legislative requirements	<u>(1,756,875)</u>		<u>(16,076,532)</u>
Net Cash from Operating Activities	<u><u>7,208,758</u></u>	<u><u>4,273,442</u></u>	<u><u>5,384,765</u></u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Bank Overdraft limit	700,000	701,000	701,000
Bank Overdraft at Balance Date	0	0	0
Credit Card limit	25,000	25,000	25,000
Credit Card Balance at Balance Date	0	0	(4,644)
Total Amount of Credit Unused	<u><u>725,000</u></u>	<u><u>726,000</u></u>	<u><u>721,356</u></u>

Loan Facilities

Loan Facilities - Current	1,273,806	1,273,806	1,240,950
Loan Facilities - Non-Current	<u>4,768,742</u>	<u>4,768,742</u>	<u>6,042,548</u>
Total Facilities in Use at Balance Date	<u><u>6,042,548</u></u>	<u><u>6,042,548</u></u>	<u><u>7,283,498</u></u>

Unused Loan Facilities at Balance Date	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
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SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

14. CONTINGENT LIABILITIES	2014	2013
	\$	\$
Shinju Matsuri Loan/Overdraft Guarantee	15,000	15,000
North West Expo Payment Guarantee	0	25,000
	15,000	40,000

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

Council has no finance lease commitments.

(b) Operating Lease Commitments

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

Payable:

- not later than one year	322,459	279,347
- later than one year but not later than five years	3,552	44,820
- later than five years	0	0
	326,011	324,167

(c) Capital Expenditure Commitments

Contracted for:

- Building Construction & Fixed Plant	217,692	352,784
- Infrastructure Construction	74,799	77,124
- Mobile Plant and Equipment	0	0
- Furniture and Equipment	0	0

Payable:

- not later than one year	292,491	429,908
- later than one year but not later than five years	0	0

The capital expenditure projects outstanding at the end of the reporting periods are:

30 June 2014

Public Shade Chinatown - Final Payment
 Broome Motorsports Complex - Relocation Feasibility Study
 KRO Building Upgrade - Detailed Design and Business Case
 Haynes Oval Floodlighting - Consultancy Work
 De Castilla Street - Rehabilitation and Upgrade
 Broome Road to Roebuck Estate - Extension of Road

30 June 2013

Arts Centre Building Design & Construction & Renewal Energy Upgrade (Final retention payment)
 Amenities Upgrade Works at various amenities including BRAC
 Clementson St Reconstruction Stages 1 & 2 (Final retention payment)

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013	2012
16. FINANCIAL RATIOS			
Current Ratio	0.90	1.25	1.35
Asset Sustainability Ratio	1.87	0.72	0.52
Debt Service Cover Ratio	4.06	12.70	5.95
Operating Surplus Ratio	0.01	0.52	0.06
Own Source Revenue Coverage Ratio	0.87	0.09	0.86
Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$		
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$		
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$		
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$		
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$		

Notes:

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

Three of the ratios disclosed above are distorted by items of significant revenue and expenses relating to:

- 2013 - The initial recognition of Land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$16,076,532 (refer to Notes 1(g), 1(h) and 2(a)(ii) for further details). This forms part of operating revenue.

- 2014- The initial recognition of Buildings on Land under the Shire's control in accordance with amendments to the Financial Management Regulations amounting to \$1,756,875 (refer to Notes 1(g), 1(h) and 2(a)(ii) for further details). This forms part of operating revenue.

- 2013 - The significant expense relating to the reduction in the fair value of the Shire's plant and equipment amounting to \$752,872 (refer to Notes 1(g) and 2(a)(i) for further details). This forms part of operating expenses.

These items of significant revenue and expenditure are considered to be "one-off" and are non-cash in nature and, if they were ignored, the calculations disclosed in the 2014 and 2013 column above would be as follows:

	2014	2013
Debt Service Cover Ratio	2.95	3.91
Operating Surplus Ratio	-0.05	0.00
Own Source Revenue Coverage Ratio	0.82	0.89

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

17. JOINT VENTURE

The Shire is not involved in any joint venture arrangements

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2014	2013
	\$	\$
General Purpose Funding	7,157,254	7,123,848
Governance	785,147	563,026
Law, Order, Public Safety	908,017	1,410,528
Health	19,879	22,444
Education and Welfare	748	0
Housing	2,972,098	67,788
Community Amenities	17,565,591	16,018,519
Recreation and Culture	62,192,665	52,010,808
Transport	93,893,185	92,472,828
Economic Services	9,132,232	8,780,088
Other Property and Services	31,481,096	28,911,919
Unallocated	1,741,681	2,620,107
	<u>227,849,593</u>	<u>210,001,903</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

19. TRUST FUNDS

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

	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Footpath Damage Deposits	31,622	654	0	32,276
Library Transient Borrower Deposits	8,989	0	(820)	8,169
Election Nomination Deposits	0	880	(880)	0
Civic Centre Takings	0	33,154	(27,835)	5,319
Other General Purpose Deposits	18,201	207	(9,914)	8,494
BCITF Collection & Refund Deposits	20,945	183,258	(190,100)	14,103
Japanese Cemetery Improvements Deposit	0	0	0	0
Town Planning Related Bond Deposits	176,321	8,276	0	184,597
Cemetery Plot Reservation Deposits	14,896	818	0	15,714
Recreation Facility use Bond Deposits	13,841	20,349	(22,230)	11,960
Parking Facilities Bond Deposits	0	0	0	0
Road & Footpath Facilities Bond Deposits	722,710	35,796	0	758,506
Capital Works Bond Deposits	2,969	92	0	3,061
Cash In Lieu Of Public Open Space	95,135	4,742	0	99,877
Bank Guarantee Deposits Received	0	52,618	0	52,618
BRB Levy	9,086	92,214	(94,515)	6,785
Overpayments Held	0	0	0	0
Unclaimed Monies	19,143	0	0	19,143
Contract Bonds & Retentions	0	0	0	0
Staff Rental Bonds	52,804	32,484	(39,972)	45,316
Key Deposits	2,104	685	(355)	2,434
	<u>1,188,766</u>	<u>466,227</u>	<u>(386,621)</u>	<u>1,268,372</u>

20. DISPOSALS OF ASSETS - 2013/2014 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance	0	28,000	0	28,000	0	0
Law, Order, Public Safety	55,636	58,000	22,773	44,000	(32,863)	(14,000)
Housing	63,356	0	0	0	(63,356)	0
Community Amenities	0	28,300	0	40,000	0	11,700
Recreation and Culture	1,386	0	0	0	(1,386)	0
Other Property and Services	88,127	188,276	79,318	165,000	(8,809)	(23,276)
	<u>208,505</u>	<u>302,576</u>	<u>102,091</u>	<u>277,000</u>	<u>(106,414)</u>	<u>(25,576)</u>

Profit	9,182	51,424
Loss	(115,596)	(77,000)
	<u>(106,414)</u>	<u>(25,576)</u>

**SHIRE OF BROOME - NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Loan Number	Loan Particulars/Purpose	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
				Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Law Order & Public Safety									
176	New SES Shed (*)	28,881		18,981	18,981	9,900	9,900	1,330	1,328
Community Amenities									
181	Millington Rd Drainage Construction (Interest paid by third party)	127,861		40,002	40,001	87,859	87,860	7,433	7,296
Recreation & Culture									
171	BRAC (Recreation Centre)	392,314		88,606	88,606	303,708	303,708	24,663	24,607
186	BRAC Stage 2 A	572,375		130,187	130,187	442,188	442,188	31,865	31,788
191	BRAC Stage 2B - Oval Infrastructure	313,197		44,325	44,325	268,872	268,872	19,353	19,401
193	Arts Centre Redevelopment	3,921,500		370,721	370,721	3,550,779	3,550,779	151,114	150,730
194	BRAC Pavilion	801,187		81,106	81,107	720,081	720,080	45,271	45,155
Economic Services									
182	Visitors Centre Construction	330,722		103,467	103,467	227,255	227,255	19,226	19,147
185	Visitors Centre Construction Stage 2	136,416		31,028	31,028	105,388	105,388	7,594	7,577
Other Property & Services									
168	Loan # 168 Administration Building	628,519		302,001	302,001	326,518	326,518	38,013	37,942
192	Loan # 192 Street Sweeper New Plant	30,526		30,526	30,526	0	0	1,039	1,040
		7,283,498	0	1,240,950	1,240,950	6,042,548	6,042,548	346,901	346,011

(*) Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

**SHIRE OF BROOME - NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

21. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2013/2014

The Shire of Broome did not take up any new borrowings during the year ended 30 June 2014

(c) Unspent Debentures

Particulars	Date Borrowed	Balance 1 July 2013 \$	Borrowed During Year \$	Expended During Year \$	Balance 30 June 2014 \$
Loan # 193 Arts Centre Redevelopment	27/06/2012	2,154,253	0	120,530	2,033,723
		2,154,253	0	120,530	2,033,723

(d) Overdraft

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

The Credit Card with a maximum amount of \$25,000 with the Commonwealth Bank is used to procure goods & services typically paid for by a credit card such as travel, accommodation and IT equipment.

SHIRE OF BROOME - NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR

(a) Rates	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$	
RATE TYPE												
Differential General Rate / General Rate												
GRV - Residential	8.0653	4,117	109,520,104	8,831,527	229,515	32,345	9,093,387	8,742,470	124,851	4,200	8,871,521	
GRV - Residential - Vacant	14.7494	338	5,133,050	688,819	0	0	688,819	681,503	97,346	15,000	793,849	
GRV - Commercial	9.3794	590	52,366,375	4,911,652	0	(24,933)	4,886,719	4,873,532	18,750	0	4,892,282	
GRV - Tourism	11.7902	455	18,393,370	2,168,616	0	0	2,168,616	2,175,550	14,500	0	2,190,050	
GRV - Exempt	-	662	3,120,460	0	0	0	0	0	0	0	0	
Unimproved Value Valuations												
UV - Rural	0.5145	127	86,653,000	452,780	0	(6,600)	446,180	438,946	0	0	438,946	
UV - Mining	13.2879	43	990,212	138,106	1,468	1,778	141,352	109,550	0	0	109,550	
UV - Commercial Rural	2.3729	30	8,495,529	201,700	0	0	201,700	196,356	0	0	196,356	
UV - Exempt	0.0000		0	0	0	0	0	0	0	0	0	
Sub-Totals		6,362	284,672,100	17,393,200	230,983	2,590	17,626,773	17,217,907	255,447	19,200	17,492,554	
Minimum Payment												
Minimum \$												
Differential General Rate / General Rate												
GRV - Residential	1,131	70	792,604	79,170	0	0	79,170	76,908	0	0	76,908	
GRV - Residential - Vacant	1,131	187	619,140	211,497	0	0	211,497	180,960	0	0	180,960	
GRV - Commercial	1,131	12	122,060	13,572	0	0	13,572	13,572	0	0	13,572	
GRV - Tourism	1,131	437	2,309,268	494,247	0	0	494,247	494,247	0	0	494,247	
Unimproved Value Valuations												
UV - Rural	1,131	4	499,000	4,524	0	0	4,524	4,524	0	0	4,524	
UV - Mining	782	28	102,638	21,896	0	0	21,896	22,678	0	0	22,678	
UV - Commercial Rural	1,131	3	34,800	3,393	0	0	3,393	3,393	0	0	3,393	
Sub-Totals		741	4,479,510	828,299	0	0	828,299	796,282	0	0	796,282	
Ex-Gratia Rates							18,455,072				18,288,836	
Concessions (refer note 26)							24,518				22,712	
Total Amount Raised From General Rate							(169,020)				(167,303)	
Write-Offs (refer note 26)											18,144,245	
Waste Collection Rate (refer Note 24)							(7,090)				(10,000)	
Totals							571,289				575,000	
							18,874,769				18,709,245	

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2014 (30 June 2014 Carried Forward)	2014 (1 July 2013 Brought Forward)	2013 (30 June 2013 Carried Forward)
	\$		\$
Surplus/(deficit) 1 July 2013 Brought Forward	<u>2,453,448</u>	<u>2,663,046</u>	<u>2,663,046</u>
<u>Comprises:</u>			
Cash - Unrestricted	3,876,658	3,100,447	3,100,447
Cash - Restricted	23,463,008	22,628,759	22,628,759
Rates Outstanding	494,038	461,429	461,429
Sundry Debtors	1,365,755	2,203,638	2,203,638
ATO Receivable	162,654	66,238	66,238
Sundry Bonds and other receivables	47,618	313,480	313,480
Inventories			
- Fuel and Materials	35,806	22,646	22,646
- History Books	9,539	12,035	12,035
Loans - Clubs/Institutions Receivable	9,901	18,981	18,981
<u>Less:</u>			
Reserves - Cash Backed	(23,463,008)	(22,628,759)	(22,628,759)
Loans - Clubs/Institutions Receivable	(9,901)	(18,981)	(18,981)
Sundry Creditors	(4,509,639)	(2,216,729)	(2,216,729)
Other Payables	(218,297)	(1,099,649)	(1,099,649)
Accrued Interest on Debentures	(22,120)	(31,639)	(31,639)
Accrued Salaries and Wages	(212,278)	(132,672)	(132,672)
Current Employee Benefits Provision	(2,166,959)	(1,932,344)	(1,932,344)
Leave Liability not expected to be paid within 12 months	1,725,163	1,686,568	1,686,568
	<u>587,938</u>	<u>2,453,448</u>	<u>2,453,448</u>
Surplus/(Deficit)			

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2013 audited financial report.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

23. SPECIFIED AREA RATE - 2013/2014 FINANCIAL YEAR

The Shire Of Broome did not impose any Specified Area Rates.

24. WASTE COLLECTION RATE - 2013/14 FINANCIAL YEAR

	Rate in \$	Basis of Rate	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$
Public Landfill Levy					
- Rate	0.015	GRV	221,932	561,792	575,000
- Interim Rate				9,497	0
- Back Rate				0	0
				571,289	575,000

A waste collection rate was imposed in accordance with Section 66 of the Waste Avoidance and Resource Recovery Act 2007.

25. SERVICE CHARGES - 2013/2014 FINANCIAL YEAR

The Shire Of Broome did not impose any service charges.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2013/2014 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	NIL	0	0
Minimum Rate	Discount	NIL	0	0
General Rates	Concession	100.00%	6,950	6,950
General Rates	Concession	48.00%	112,705	112,824
General Rates	Concession	27.00%	47,404	45,568
General Rates	Concession	11.00%	1,961	1,961
			169,020	167,303
Other Discounts and Write-Offs				
Rate Assessment	Write-Offs		7,090	10,000

No discount on rates is available.

27. INTEREST CHARGES AND INSTALMENTS - 2013/2014 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		104,910	74,000
Interest on Rates Instalments Plan	5.50%		95,386	91,500
Charges on Rates Instalment Plan		7	35,539	37,000
Pensioner Deferred Rate Interest	3.27%		0	500
			235,835	202,500

Ratepayers had the options of paying rates in either two or four equal instalments, due on 18th October 2013, 18th December 2013, 18th February 2014 and 23rd April 2014.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

28. FEES & CHARGES	2014	2013
	\$	\$
Governance	44	0
General Purpose Funding	68,224	78,943
Law, Order, Public Safety	80,337	68,958
Health	158,294	168,093
Education and Welfare	0	3,156
Housing	645,307	606,273
Community Amenities	6,253,146	5,114,786
Recreation and Culture	1,025,183	959,914
Transport	24,619	26,007
Economic Services	719,257	862,228
Other Property and Services	1,401,742	1,332,677
	<u>10,376,153</u>	<u>9,221,035</u>

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

29. GRANT REVENUE	2014	2013
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	6,707,106	4,920,229
Non-Operating Grants, Subsidies and Contributions	4,840,478	9,920,277
	<u>11,547,584</u>	<u>14,840,506</u>
By Program:		
Governance	3,393,115	224,268
General Purpose Funding	942,480	2,441,367
Law, Order, Public Safety	44,442	72,305
Health	13,575	213
Education and Welfare	96,546	100,023
Housing	2,586,999	1,875
Community Amenities	494,407	546,783
Recreation and Culture	431,677	2,793,638
Transport	2,379,370	7,742,662
Economic Services	256,282	122,436
Other Property and Services	908,691	794,936
	<u>11,547,584</u>	<u>14,840,506</u>

30. COUNCILLORS' REMUNERATION	2014	2014	2013
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees - Council and Local Government Association	151,323	154,125	70,000
President's Allowance	45,000	45,000	32,400
Deputy President's Allowance	11,250	11,250	4,050
Travelling and Conference Expenses	39,830	67,450	35,980
Telecommunications and IT Allowances	30,541	31,500	30,600
	<u>277,944</u>	<u>309,325</u>	<u>173,030</u>

31. EMPLOYEE NUMBERS	2014	2013
The number of full-time equivalent employees at balance date	<u>148</u>	<u>183</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

32. MAJOR LAND TRANSACTIONS

Council did not participate in any Major Land Transactions during the year to 30 June 2014

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2013/2014 financial year.

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

34. FINANCIAL RISK MANAGEMENT

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

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	27,339,666	25,729,206	27,339,666	25,729,206
Receivables	2,097,464	3,084,033	2,097,464	3,084,033
	<u>29,437,130</u>	<u>28,813,239</u>	<u>29,437,130</u>	<u>28,813,239</u>
Financial Liabilities				
Payables	4,962,334	3,480,689	4,962,334	3,480,689
Borrowings	6,042,548	7,283,498	6,042,548	7,283,498
	<u>11,004,882</u>	<u>10,764,187</u>	<u>11,004,882</u>	<u>10,764,187</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

(a) Cash and Cash Equivalents

Financial assets at fair value through profit or loss

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

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

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

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

34. FINANCIAL RISK MANAGEMENT (Continued)

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

Council manages these risks by diversifying its portfolio and only investing in registered commercial bank. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	30 June 2014	30 June 2013
	\$	\$
Impact of a 1% (*) movement in interest rates on cash		
- Equity	273,397	257,292
Statement of Comprehensive Income	273,397	257,292

Notes:

(*) Sensitivity percentages based on management's expectation of future possible market movements.

(b) Receivables

Council'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. Council 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 Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council 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.

**SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables (Continued)

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

	30 June 2014	30 June 2013
Percentage of Rates and Annual Charges		
- Current	1%	1%
- Overdue	99%	99%
Percentage of Other Receivables		
- Current	86%	72%
- Overdue	14%	28%

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

34 FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
 Borrowings**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council 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 Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	<u>2014</u>	<u>2013</u>			
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	4,962,334	0	0	4,962,334	4,962,334
Borrowings	1,560,342	3,668,540	1,827,999	7,056,881	6,042,549
	<u>6,522,676</u>	<u>3,668,540</u>	<u>1,827,999</u>	<u>12,019,215</u>	<u>11,004,883</u>
Payables	3,480,689	0	0	3,480,689	3,480,689
Borrowings	1,597,367	4,496,199	2,532,337	8,625,903	7,283,498
	<u>5,078,056</u>	<u>4,496,199</u>	<u>2,532,337</u>	<u>12,106,592</u>	<u>10,764,187</u>

SHIRE OF BROOME
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

34 FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2014								
Borrowings								
Fixed Rate Debentures	336,419	0	1,166,397	0	268,872	4,270,861	6,042,549	4.98%
Weighted Average Effective Interest Rate	7.89%	0.00%	6.38%	0.00%	6.41%	4.27%		
Year Ended 30 June 2013								
Borrowings								
Fixed Rate Debentures	30,525	657,401	0	1,559,687	0	5,035,884	7,283,497	5.12%
Weighted Average Effective Interest Rate	5.12%	7.86%	0.00%	6.38%	0.00%	4.41%		

**SHIRE OF BROOME
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2013**

35. RATIO INFORMATION

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

	2014	2013	2012	2011
Asset Consumption Ratio	0.703	0.741	0.694	0.702
Asset Renewal Funding Ratio	2.114	3.049	N/A	N/A

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.

**INDEPENDENT AUDITOR'S REPORT
TO THE RATEPAYERS OF THE SHIRE OF BROOME**

Report on the Financial Report

We have audited the financial report of the Shire of Broome (the Shire), which comprises the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and a summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

Shire's Responsibility for the Financial Report

The Shire is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1995 Part 6 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Shire's financial position and of its performance.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's opinion on the Financial Report

In our opinion, the financial report of the Shire of Broome:

- (i) gives a true and fair view of the financial position of the Shire of Broome as at 30 June 2014 and of its financial performance for the year ended on that date;
- (ii) complies with the Local Government Act 1995 Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) in relation to the Supplementary Ratio Information presented of this report, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

Statutory Compliance

We did not during the course of our audit become aware of any instances where the Shire did not comply with the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996 as they relate to the financial report.


RSM BIRD CAMERON


S C CUBITT
Director

Perth, WA
Dated: *10 October 2014*

RSM Bird Cameron

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PRIVATE AND CONFIDENTIAL

10 October 2014

Mr Kenn Donohoe
Chief Executive Officer
Shire of Broome
P O Box 94
BROOME WA 6725

Dear Mr Donohoe

Audit Findings for the Year Ended 30 June 2014

We have now completed our final audit work subject to normal completion procedures.

This report is part of a continuing dialogue between the Shire and ourselves. This report has been prepared to detail the principal audit and accounting issues of governance interest that have come to our attention as a result of the performance of our interim audit for the year ended 30 June 2014. We have prepared this report in accordance with ISA 260 'Communications of audit matters with those charged with governance'.

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. For this reason the report is intended for the sole use of the Shire and we consider it inappropriate for this report to be made available to third parties, or quoted or referred to, without our written consent. We do not accept responsibility to any other persons or for any reliance that third parties may place on it.

We set out below details of significant matters concerning the Shire of Broome (the Shire) internal control, accounting practices and other observations which should be considered by management; however an audit is not designed to identify all matters relevant to governance.

Auditor's Independence

We are not aware of any other relationships between member firms of RSM Bird Cameron Partners and the Council that, in our professional judgement, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgement, RSM Bird Cameron Partners is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

1. Matters Identified:

Refer to ANNEXURE A

2. Internal Financial Controls

During our audit we examined the design and implementation of the internal controls relevant to the accounting and financial control systems.

The matters to report to management in relation to the Shire's internal financial controls are discussed above.

3. Audit Adjustments

The below audit adjustments, were passed during the course of the audit

Entry	Account No.	Account Description	Debit (\$)	Credit (\$)
1	100001040 100009760	Land & Building Building Revaluation Reserve (Adjustment made to correct valuation of land and building to agree to valuation report)	1,440,000	1,440,000
2	100001180 100302510	Doubtful Rates Debts Provision Rates deduced/Written off (Adjustment made to doubtful rates provision)	44,261	44,261
3	100221390 100230390	Kimberley Zone – Operating expense Kimberley Zone – CLGF Grant (Adjustment for incorrect allocation between revenue and expense)	956,842	956,842

Other Matters

- As a result of our procedures, we have not identified any matters of fraud to report to you; and
- We had no disagreements with management about significant accounting matters.

This letter has been prepared for the sole use of Shire. It must not be disclosed to a third party or quoted to or referred to without our written consent. No responsibility is assumed by RSM Bird Cameron Partners to any other person.

Finally, we would like to take this opportunity to thank you staff for the co-operation we have received throughout our interim audit. If there are any further matters which you wish to discuss concerning our interim audit, please do not hesitate to contact me.

Yours faithfully



S C CUBITT
Director

SHIRE OF BROOME

PERIOD OF AUDIT: 30 JUNE 2014

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
New issues identified from 2014 Interim audit:			
1. High annual leave accrual at year end		✓	
2. Cut of period		✓	
3. Civic Centre controls around the recording of sales		✓	

KEY TO RATINGS

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

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF BROOME

PERIOD OF AUDIT: 30 JUNE 2014

FINDINGS IDENTIFIED DURING THE AUDIT

1. High annual leave accrual at year end

Findings:

Employees have annual leave accrued balances in excess of 300 hours.

Rating:

Moderate

Implication:

Excessive annual leave balances accrued increases the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. This over-reliance can result in business interruption when the employee leaves the agency. Failure to take leave can also mask fraud.

Recommendation:

The Shire should continue to manage and monitor the excessive annual leave accruals to reduce the financial liability, risk of business interruption and fraud.

Management Comment:

Management are currently reviewing the systems and processes involving Payroll and Human Resources reporting. There are a number of aspects to this issue which can be addressed.

Management have identified the need for more intelligent and proactive reporting mechanisms to assist line managers in monitoring and managing the levels of leave accrued by their respective team members. This includes a proposed new payroll software solution with leave management options, including employee/manager self-service. This is a major project that has been allocated funds in the 2014/2015 budget. Management will also implement steps towards including leave balances as a key performance indicator for each line manager.

Management will respond to this finding by implementing organisation-wide strategies to ensure the structure of functions and duties within departments facilitate staff to take leave regularly at mutually agreed times. There will be a management directive issued to reduce this liability over the next 12 months.

Responsible Person: Theresa Bengtson

Completion Date: 8th October 2014

SHIRE OF BROOME**PERIOD OF AUDIT: 30 JUNE 2014****FINDINGS IDENTIFIED DURING THE AUDIT****2. Cut of period****Findings:**

During the performance of our audit procedures, it was noted that the cut off policies and procedures for posting of journal entries' was not being adhered to. General journal entries that have been raised in the current month, have been posted to the month they relate to. Thus the monthly reconciliation, reviewed signed off and on file, of the following accounts:

1. Cash and bank;
2. Trade debtors; and
3. Trade creditors,

did not agree to the accounting system's monthly general ledger balances, up to the date of testing, being for the period ended 31 March 2014.

In addition to the above the monthly 'End of Month Report', submitted to Council, did not agree to the system'S monthly trial balance, due to the postings of journal entries into closed off periods.

Rating:

Moderate

Implication:

Failure to implement effective controls over the reporting and posting of accounting entries after the transactions have been processed, increases the risk of errors not being detected quickly and corrective action being taken to mitigate the risk of incorrect financial reporting.

Recommendation:

Employees working for the Shire should be advised of the posting of journal entries policies and procedure to ensure that journal entries are recorded in the period they occur.

Management Comment:

Management have immediately addressed this finding in preparation for the interim audit earlier in the year. This issue has come about due to the high level of staff turnover within the team and the resulting majority of the team, having only been with the Shire for 12 months or less.

All team members of the Financial Services Department have been re-trained in this matter. This includes the following measures being implemented:

- All existing procedures have been updated to reflect the rule of cut-off periods.
- Management have implemented an End of Month Checklist which includes key cut-off dates for each Finance team member to adhere to.

The procedures for updating the cut-off limits on the finance software system have been updated to prevent any back-posting to previous periods.

Responsible Person: Theresa Bengtson

SHIRE OF BROOME

PERIOD OF AUDIT: 30 JUNE 2014

FINDINGS IDENTIFIED DURING THE AUDIT

Completion Date: 8th October 2014

3. Civic Centre Controls around recording sales

Findings:

During the testing of cash receipts, it came to our attention that the Council's Civic Centre has evening bar sales, the banking in respect of which, has incorrectly included that day's Petty Cash receipts.

This method of receipting, required an adjustment to be processed, in order to correctly record Civic Centre's daily Cash receipts, independent of any Petty Cash activity.

Rating:

Moderate

Implication:

Failure to implement effective controls over the controls around the recording of sales after the transactions have been processed increases the risk of errors not being detected quickly and corrective action being taken to mitigate the risk of incorrect financial reporting.

Recommendation:

Employees working at the Civic Centre should be advised of incorrect processing and controls needs to be implemented in order to avoid incorrect postings.

Management Comment:

Management have identified the following measures to be implemented to address this finding:

- The Financial Services Department is to develop over-arching cash handling, stock and internal control Business Operating Procedures as a framework for all areas of point of sale in the Shire of Broome
- The Community Services Department is to develop receipting and stock control procedures for the Civic Centre.
- The Community Services Department is to investigate and implement a POS system/terminal for the Civic Centre bar and box office
- The Community Services Department is to investigate and implement a CCTV point to be installed over the bar and box office POS area.

Responsible Person: Theresa Bengtson

Completion Date: 8th October 2014