



## **VISION OF COUNCIL**

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

# **AGENDA**

**FOR THE**

**AUDIT AND RISK COMMITTEE MEETING**

**15 OCTOBER 2019**

## **OUR VISION**

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

## **OUR MISSION**

***"To deliver affordable and quality Local Government services."***

## **CORE VALUES OF THE SHIRE**

***The core values that underpin the achievement of the mission will be based on a strong customer service focus and a positive attitude:***

**Communication**

**Integrity**

**Respect**

**Innovation**

**Transparency**

**Courtesy**

### **DISCLAIMER**

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

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**SHIRE OF BROOME**  
**AUDIT AND RISK COMMITTEE MEETING**  
**TUESDAY 15 OCTOBER 2019**  
**INDEX – AGENDA**

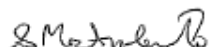
1.	OFFICIAL OPENING .....	5
2.	ATTENDANCE AND APOLOGIES .....	5
3.	DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY .....	5
4.	CONFIRMATION OF MINUTES .....	5
5.	REPORT OF OFFICERS .....	6
	5.1 ANNUAL FINANCIAL REPORT & AUDIT REPORT 2018/2019 .....	6
6.	MEETING CLOSURE .....	92

## NOTICE OF MEETING

Dear Committee Member,

The next Audit and Risk Committee of the Shire of Broome will be held on Tuesday, 15 October 2019 in the Council Chambers, Corner Weld and Haas Streets, Broome, commencing at 11:00am.

Regards



S MASTROLEMBO  
**Chief Executive Officer**

14/10/2019

**1. OFFICIAL OPENING****2. ATTENDANCE AND APOLOGIES****3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY****4. CONFIRMATION OF MINUTES****RECOMMENDATION:**

That the Minutes of the Audit and Risk Committee held on 14 May 2019, as published and circulated, be confirmed as a true and accurate record of that meeting.

## 5. REPORT OF OFFICERS

### 5.1 ANNUAL FINANCIAL REPORT & AUDIT REPORT 2018/2019

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	25 September 2019

**SUMMARY:** The Audit and Risk Committee is required to consider and recommend to Council, the adoption of the annual financial report, examine the audit and management reports, and review the report prepared by the Chief Executive Officer.

### BACKGROUND

Pursuant to section 7.9 of the *Local Government Act 1995 (LGA)*, an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

- (a) Mayor or President; and
- (b) The Chief Executive Officer; and
- (c) The Minister.

Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996 (Audit Regulations)*, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in section 7.9 of the LGA.

On finalisation of the Shire's 2018/19 final audit visit, the Auditors presented their initial findings to the Audit and Risk Committee (**the Committee**) for consideration at an informal briefing session held 8 October 2019, which was attended by members of the Committee.

The Committee is required to examine the reports of the Auditor after receiving a report from the Chief Executive Officer (**CEO**) on the matters reported and:

- Determine if any matters raised require action to be taken by the local government; and
- Ensure that appropriate action is taken in respect of those matters.

The Committee is also required to review a report prepared by the CEO on any actions taken in respect of any matters raised in the report of the Auditor and present the report to Council for adoption. A copy of the report is to be forwarded to the Minister prior to the end of the next financial year or 6 months after the last report prepared by the Auditor is received, whichever is the latest in time.

An analysis of the 2018/19 operating result is provided in this report and how it compares to the forecasted outcomes of the Shire's adopted Integrated Planning and Reporting Framework.

The Strategic Community Plan 2017-27 (**SCP**) was adopted at the December 2016 Ordinary Meeting of Council (**OMC**) and the Corporate Business Plan 2018-22 (**CBP**) was adopted by Council at the December 2017 OMC. A revised 2018-22 Long Term Financial Plan (**LTFP**) was also received by Council at the December 2017 OMC and adopted at the June 2018 OMC. The Shire's LTFP was reviewed in November 2017 to support the review of the SCP and CBP. These plans informed the 2018/19 annual budget process.

The Shire's Infrastructure Asset Management Plan (**AMP**) was finalised and presented to Council at the December 2017 OMC and informed the 2018/19 annual budget process. The AMP is continuously reviewed as part of the mandated Integrated Planning and Reporting Framework and was used to inform the 2019/20 annual budget process.

The Committee is requested to consider and recommend adoption of the annual financial report to Council.

## **COMMENT**

### **Financial Highlights of the Annual Financial Report**

- Net comprehensive income (net accounting profit) of \$8,616,372 for the year ended 30 June 2019. This represents an increase in the Shire's net assets from \$405M to \$413M. Non-operating grants for the Chinatown Revitalisation Project and Town Beach Redevelopment are the main contributory factors to this net profit figure.
- Net decrease in cash of \$2,963,036 from \$45M to \$42M. Expenditure of the funds held in restricted cash of the Chinatown Revitalisation Project mainly resulted in this reduction in cash.
- Net Surplus of Municipal Funds of \$2,144,226. The details of this surplus is explained in the table below.

### **Chief Executive Officer's Report to the Audit and Risk Committee**

Following is the CEO's report to the Committee on matters arising from the audit and management reports.

### **Audit Report**

There were no matters of statutory non-compliance reported.

### **Management Report**

The Auditor's Management Report provides an overview of the approach undertaken in respect of the annual audit process and the associated outcomes of the audit. The Management Report also identifies any findings that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day to day operations of the Shire.

#### **1. Matters Identified**

There were no issues identified.

The Auditor provided comment on the Shire's ratios similar to that in 2017/18, in particular the significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark and the Office of the Auditor General (OAG) threshold for the past 3 years.

The Operating Surplus Ratio is designed to provide a measure of the ability to cover operational costs and have revenue available for capital funding or other purposes. It is calculated by subtracting Operating Expense from Operational Revenue and dividing the resulting figure by Own Source Operating Revenue. The DLGSC "basic" standard is a measure between 1% and 15% (0.01 and 0.15) while an "advanced" standard is a measure higher than 15% (>0.15).

The Shire's Operating Surplus Ratio for the past three financial years are listed below.

2018/19 -11% (-0.11)

2017/18 -13% (-0.13)

2016/17 -12% (-0.12).

At the 8 October 2019 audit exit meeting, Moore Stephens and the Office of the Auditor General explained that this finding will be reported to the Department of Local Government, Sport and Cultural Industries (DLGSCI). It was however clarified that in calculating this ratio, the operating surplus used as a numerator is significantly understated due to the inclusion of depreciation as operating expense. Depreciation expense is a non-cash item and not considered when raising rates and other own-source funding. Furthermore, non-operating grants forming part of the Shire's total comprehensive income and a significant funding source considered when raising rates, have also been excluded when calculating the ratios.

While this adverse ratio will be reported to the DLGSCI, Management is confident that this ratio does not correctly represent the Shire's current and future state of financial sustainability.

The Audit and Risk Committee should note that:

- The Shire raises its rates/own-source funding based on how much it needs to renew and/or upgrade its assets as per the Asset Management Plan and Capital Works Program. Depreciation expense is only an accounting expense which may or may not necessarily correspond to the amount of the Shire's renewal or upgrade expenditure each year.
- The Shire's strategy is to ensure that external funding is sought to finance any new and/or upgrade to infrastructure assets. This highlights the importance of non-operating grants to the Shire's operations. The Shire has consistently demonstrated its ability to successfully obtain non-operating grants through the years. Ignoring this funding source in judging the Shire's financial sustainability is flawed. Furthermore, any new and/or upgraded assets are eventually capitalised and depreciated. To include depreciation expense and yet disregard the non-operating grants which funded these assets distorts the calculation of the ratio.

## 2. Audit Adjustments

Following the presentation of the draft 2018/19 Financial Report to the Auditor, GST receivable that was previously disclosed together with Other Receivables had been reclassified as a separate line item presented in Note 5.

The auditors have also identified an audit difference that was not adjusted in the financial report due to being trivial, relating to \$20,621 of items reported as trust which, in the opinion of the auditors, should be reported as trade liabilities. Management are still discussing this approach in line with operational practicalities, however the value is immaterial.

### 3. Other Matters

There were no identified matters of fraud to report and there were no disagreements with management about significant accounting matters.

### **2018/19 Operating Result**

The financial year ended 30 June 2019 resulted in the following carried forward operating surplus:

\$4,006,759 Estimated net surplus as at 30 June 2018/19 and budgeted as 2019/20 opening surplus.

\$2,144,226 Actual 2018/19 operating surplus at the completion of year end processing.

The surplus amounts above excludes non-cash transactions such as depreciation, profit or loss on plant disposal, provision for credit losses and the effects of asset revaluation gains or losses.

The 2019/20 Annual Budget adopted at the June 2019 OMC, included an estimated brought forward operating surplus of \$4,006,759 from 2018/19. This comprised the following:

- \$1,507,238 Financial Assistance Grants (FAGS) estimated to be received in advance; and
- \$2,499,521 estimated surpluses from operating and capital budgets not expected to be spent or collected by 30 June 2019, with "work in progress" projects expected to continue in 2019/20 as detailed in Attachment 3.

The above figures were calculated prior to the close of financial year processing. At the completion of the year ended 30 June 2019, the actual brought forward surplus has been adjusted to the final confirmed amount of \$2,144,226 which comprised:

- \$1,507,238 actual amount of FAGS received in advance;
- \$604,304 confirmed amount of net surplus from projects originally anticipated as carryovers at the time of budget adoption;
- (\$191,365) net deficit pertaining to additional carryover projects not previously anticipated at the time of budget preparation;
- \$170,356 of unspent funds originally budgeted for the Surf Live Saving Club Building Upgrade which should be transferred back to building reserve;
- \$53,693 of remaining surplus available for further allocation.

The \$53,593 non-carryover surplus is the smallest surplus realised by the Shire for the past few years. The net surplus resulted from the net impact of favourable and unfavourable variances in various budget line items rather than being attributable to certain events. However, the following are the most notable reasons giving rise to the net surplus:

- \$588K of transfers from leave reserve to municipal funds resulting from turnover of staff reaching 7 years and the change in discount rate used based on the 30-year Government Bonds resulted in lower net present value of liabilities that need to be funded from reserves.
- \$53K higher interest earned than budgeted;
- \$106K net savings in materials and contracts from over 67 expenditure accounts;
- \$32K savings in utilities, mainly power costs (\$19K) and water across various parks (\$13K);
- \$400K deficit from WANDRRA reimbursements for emergency response costs that have yet to be received;
- \$253K overspend on Chinatown Revitalisation Project's engineering consultancy and superintendence;
- \$86K in additional sundry donations to Shinju Matsuri and Saltwater Country; and
- \$43K in additional contributions for Singapore Flights.

It is proposed that \$170,356 of unspent funds originally budgeted for the Surf Live Saving Club Building Upgrade be transferred back to building reserve.

The \$53,693 remaining surplus is recommended by officers to be transferred to the Public Open Space Reserve to minimise the budgetary risk of the Town Beach Redevelopment Project.

A summary of the recommended surplus allocation is as follows:

#### **SUMMARY OF 2018/19 SURPLUS**

	<b>Budgeted Opening Surplus 2019/20</b>	<b>Actual Surplus as Confirmed 2019/20</b>
Expenditure budget carried over	10,621,669	11,263,406
Income budget carried over	- 8,122,148	- 10,659,101
Surplus from advanced FAGS carried over	1,507,238	1,507,238
Newly identified expense carryover		876,374
Newly identified income carryover		- 1,067,739
Unspent funds for Surf Club Building Upgrade - Transfer to Reserve		170,356
Net surplus available for transfer to reserve		53,693
<b>Net surplus</b>	<b>4,006,759</b>	<b>2,144,226</b>

#### **ADJUSTMENTS TO PRIOR YEARS ANNUAL REPORTS**

There were no adjustments required to prior year reports.

#### **CONSULTATION**

Nil.

#### **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

### 5.53. Annual reports

- (1) The local government is to prepare an annual report for each financial year.
  - (2) The annual report is to contain —
    - (a) a report from the mayor or president; and
    - (b) a report from the CEO; and
    - [(c), (d) deleted]
    - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
    - (f) the financial report for the financial year; and
    - (g) such information as may be prescribed in relation to the payments made to employees; and
    - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and
    - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993 ; and
    - (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
      - (i) the number of complaints recorded in the register of complaints;
      - (ii) how the recorded complaints were dealt with; and
      - (iii) any other details that the regulations may require;
- and
- (i) such other information as may be prescribed.

[Section 5.53 amended by No. 44 of 1999 s. 28(3); No. 49 of 2004 s. 42(4) and (5); No. 1 of 2007 s. 6; No. 5 of 2017 s. 7(1).]

### 5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.

\* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

### 6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
  - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.

7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —
  - (a) the mayor or president; and
  - (b) the CEO of the local government; and
  - (c) the Minister.
- (2) Without limiting the generality of subsection (1), where the auditor considers that —
  - (a) there is any error or deficiency in an account or financial report submitted for audit; or
  - (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
  - (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government, details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.
- (3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —
  - (a) prepare a report thereon; and
  - (b) forward a copy of that report to the Minister, and that direction has effect according to its terms.
- (4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and

- (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
  - (aa) examine an audit report received by the local government; and
  - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
  - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

#### Local Government (Audit) Regulations 1996

##### 10. Report by auditor

- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

#### Local Government (Financial Management) Regulations 1996

##### 17A Assets, valuation of for financial reports etc.

- (1) In this regulation —
  - carrying amount**, in relation to an asset, means the carrying amount of the asset determined in accordance with the AAS;
  - fair value**, in relation to an asset, means the fair value of the asset measured in accordance with the AAS.
- (2) Subject to subregulation (3), the value of an asset shown in a local government's financial reports must be the fair value of the asset.
- (3) A local government must show in each financial report —
  - (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.*
- (4) *A local government must revalue all assets of the local government –*
- (a) *whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and*
  - (b) *in any event, within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued.*
- (5) *An asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000.*

*[Regulation 17A inserted: Gazette 20 Apr 2012 p. 1699-700; amended: Gazette 21 Jun 2013 p. 2451; 26 Jun 2018 p. 2388.]*

## **POLICY IMPLICATIONS**

2.2.2 - Materiality in Financial Reporting

2.2.7 - Significant Accounting Policies

## **FINANCIAL IMPLICATIONS**

In terms of materiality, the unallocated surplus amount of \$53,694 (surplus excluding FAGS grants in advance and the committed expenditure of Attachment 3 and 4) represents a variance of 0.13% compared to original budgeted operating revenue for 2018/19 of \$42,217,591 (excluding non-operating grants and contributions for assets) (2017/18 - 3.42%). This net surplus is below the adopted threshold of \$422,176 as per Policy 2.2.2 Materiality in Financial Reporting.

## **RISK**

The audited Annual Financial Report is a key control measure used to report to Council and its stakeholders that Council's financial position, result of operations, cash flows, changes in equity and rate setting statement are free from any material misstatement caused by fraud or error. The audit findings indicate areas requiring improvement and management have implemented measures to review processes. The report measures Council's financial capacity to achieve its adopted strategic and operational objectives. A material variance indicates areas requiring investigation such as revisiting budget

estimation assumptions, workforce management and Council's overall resource capacity to achieve its strategic objectives.

The recommendation by the Committee to Council for the adoption of the Annual Financial Report, Audit and Management Report and CEO's report is a key statutory compliance matter. Should this not be recommended for adoption, a delay in Council's adoption of the 2018/19 Annual Report to be presented at the October 2019 OMC will result and will impact Council's ability to schedule the Annual Electors Meeting (**AEM**) in December as planned. This poses a high risk due to the possibility of occurring and the impact of a significant delay to major deliverables.

Should the Committee make alternative recommendations regarding the proposed allocation of the 2018/19 surplus, given the immateriality of the amount and in line with Council's risk ratings, the risk is assessed as minor where the financial impact is less than \$250,000 and the likelihood of this occurring is possible. To mitigate these risks, the report recommendations should be adopted.

### **STRATEGIC IMPLICATIONS**

**Our People Goal – Foster a community environment that is accessible, affordable, inclusive, healthy and safe:**

Encourage communication.

Identify affordable services and initiatives to satisfy community needs.

**Our Prosperity Goal – Create the means to enable local jobs creation and lifestyle affordability for the current and future population:**

Encourage the provision of affordable land for residential, industrial, commercial and community use.

**Our Organisation Goal – Continually enhance the Shire's organisational capacity to service the needs of a growing community:**

Develop an organisational culture that strives for service excellence.

Review and analyse strategic and operational plans.

Manage resource allocation.

Manage staff attraction and retention.

Improve systems, processes and compliance.

### **VOTING REQUIREMENTS**

*Absolute Majority*

#### REPORT RECOMMENDATION:

*That the Audit and Risk Committee recommends that Council:*

- 1. Receives the Chief Executive Officer's report relating to the audit.*

2. *Receives the Audit Report and Audit Management Report dated 8 October 2019 as per Attachment 1.*
3. *Adopts the Audited Annual Financial Report for the year ended 30 June 2019 as per Attachment 2.*
4. *Allocates the net operating surplus from the 2018/19 financial year as per Attachments 3 and 4 with the balance of \$224,049 to be transferred to reserves as follows:*
  - a) *Building Reserve \$170,356; and*
  - b) *Public Open Space Reserve \$53,693.*

**(ABSOLUTE MAJORITY REQUIRED)**

### **Attachments**

1. 2018-2019 Audit Management Report
2. 2018-2019 Annual Financial Report
3. 2018-2019 Surplus - Originally Budgeted Carryover - as Adjusted
4. 2018-2019 Surplus - Additional Carryover
5. 2018-2019 Audit Concluding Memorandum



## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Broome

#### Report on the Audit of the Financial Report

##### **Opinion**

I have audited the annual financial report of the Shire of Broome which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Broome:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

##### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Emphasis of Matter – Basis of Accounting**

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

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

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

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

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

***Auditor's Responsibility for the Audit of the Financial Report***

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

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

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

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

### Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matter indicate significant adverse trends in the financial position of the Shire:
  - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past 3 years.  
The financial ratios are reported in note 30 of the financial report.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

### Other Matter

The financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2018 in Note 30 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

### Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Broome for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



PATRICK ARULSINGHAM  
ACTING ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
9 October 2019

**SHIRE OF BROOME**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2019**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	52

**COMMUNITY VISION**

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

Principal place of business:  
27 Weld Street  
BROOME WA 6725

SHIRE OF BROOME  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Broome for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Broome at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 15th day of October 2019



Chief Executive Officer

SAM MASTROLUCCHI

Name of Chief Executive Officer



SHIRE OF BROOME  
STATEMENT OF COMPREHENSIVE INCOME  
BY NATURE OR TYPE  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>				
Rates	22(a)	22,392,626	22,376,649	21,931,509
Operating grants, subsidies and contributions	2(a)	3,978,224	6,365,944	3,884,342
Fees and charges	2(a)	9,908,218	11,092,800	10,743,949
Interest earnings	2(a)	1,476,449	1,121,872	1,304,843
Other revenue	2(a)	1,621,900	1,259,156	988,593
		<u>39,377,417</u>	<u>42,216,421</u>	<u>38,853,236</u>
<b>Expenses</b>				
Employee costs		(14,832,097)	(16,731,079)	(15,637,962)
Materials and contracts		(13,223,815)	(13,132,829)	(9,300,554)
Utility charges		(1,882,925)	(2,002,962)	(1,844,152)
Depreciation on non-current assets	11(c)	(10,021,199)	(9,667,682)	(12,933,560)
Interest expenses	2(b)	(92,802)	(92,755)	(118,981)
Insurance expenses		(657,408)	(657,174)	(630,726)
Other expenditure		(2,613,860)	(3,144,792)	(2,700,647)
		<u>(43,324,106)</u>	<u>(45,429,273)</u>	<u>(43,166,582)</u>
		<u>(3,946,689)</u>	<u>(3,212,852)</u>	<u>(4,313,346)</u>
Non-operating grants, subsidies and contributions	2(a)	12,577,669	13,782,824	7,023,995
Profit on asset disposals	11(a)	7,273	1,170	12,860
(Loss) on asset disposals	11(a)	(21,881)	(80,223)	(309,999)
		<u>12,563,061</u>	<u>13,703,771</u>	<u>6,726,856</u>
<b>Net result for the period</b>		<b>8,616,372</b>	<b>10,490,919</b>	<b>2,413,510</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(20,829,964)
<b>Total other comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>(20,829,964)</b>
<b>Total comprehensive income for the period</b>		<b>8,616,372</b>	<b>10,490,919</b>	<b>(18,416,454)</b>

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



SHIRE OF BROOME  
STATEMENT OF COMPREHENSIVE INCOME  
BY PROGRAM  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Revenue</b>	2(a)			
Governance		614,432	399,596	22,907
General purpose funding		24,703,828	23,715,361	24,218,955
Law, order, public safety		128,540	138,743	186,974
Health		197,486	189,761	208,293
Education and welfare		24,000	90,000	15,000
Housing		716,548	622,164	585,062
Community amenities		6,421,517	7,597,727	7,164,053
Recreation and culture		1,340,966	1,473,656	1,644,971
Transport		1,682,022	2,641,520	1,448,213
Economic services		1,033,114	3,103,330	1,082,586
Other property and services		2,514,964	2,244,563	2,276,222
		<u>39,377,417</u>	<u>42,216,421</u>	<u>38,853,236</u>
<b>Expenses</b>	2(b)			
Governance		(2,481,720)	(2,707,164)	(2,002,679)
General purpose funding		(404,056)	(446,696)	(307,300)
Law, order, public safety		(1,049,151)	(1,015,237)	(1,401,211)
Health		(745,364)	(788,573)	(742,073)
Education and welfare		(587,946)	(737,232)	(580,039)
Housing		(860,897)	(751,394)	(742,808)
Community amenities		(8,162,850)	(9,257,846)	(8,483,658)
Recreation and culture		(11,413,945)	(12,232,552)	(10,565,703)
Transport		(12,345,614)	(10,851,832)	(12,759,452)
Economic services		(2,856,083)	(4,264,199)	(3,054,017)
Other property and services		(2,323,678)	(2,283,793)	(2,408,661)
		<u>(43,231,304)</u>	<u>(45,336,518)</u>	<u>(43,047,601)</u>
<b>Finance Costs</b>	2(b)			
Recreation and culture		(91,836)	(92,755)	(118,981)
Economic services		(966)	0	0
		<u>(92,802)</u>	<u>(92,755)</u>	<u>(118,981)</u>
		<u>(3,946,689)</u>	<u>(3,212,852)</u>	<u>(4,313,346)</u>
Non-operating grants, subsidies and contributions	2(a)	12,577,669	13,782,824	7,023,995
Profit on disposal of assets	11(a)	7,273	1,170	12,860
(Loss) on disposal of assets	11(a)	(21,881)	(80,223)	(309,999)
		<u>12,563,061</u>	<u>13,703,771</u>	<u>6,726,856</u>
<b>Net result for the period</b>		<u>8,616,372</u>	<u>10,490,919</u>	<u>2,413,510</u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	(20,829,964)
<b>Total other comprehensive income for the period</b>		<u>0</u>	<u>0</u>	<u>(20,829,964)</u>
<b>Total comprehensive income for the period</b>		<u>8,616,372</u>	<u>10,490,919</u>	<u>(18,416,454)</u>

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



SHIRE OF BROOME  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2019

	NOTE	2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	42,169,411	45,133,347
Trade receivables	5	2,807,518	2,305,430
Inventories	6	49,463	34,015
Other assets	7	350,640	149,285
<b>TOTAL CURRENT ASSETS</b>		<b>45,377,032</b>	<b>47,622,077</b>
<b>NON-CURRENT ASSETS</b>			
Trade receivables	5	32,159	17,430
Other financial assets	8	87,586	0
Property, plant and equipment	9	87,045,403	88,508,984
Infrastructure	10	294,728,403	278,788,414
<b>TOTAL NON-CURRENT ASSETS</b>		<b>381,893,551</b>	<b>367,314,828</b>
<b>TOTAL ASSETS</b>		<b>427,270,583</b>	<b>414,936,905</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	7,495,460	4,606,710
Borrowings	14(a)	739,456	619,827
Employee related provisions	15	1,955,626	2,214,146
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,190,542</b>	<b>7,440,683</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	14(a)	2,659,956	1,699,411
Employee related provisions	15	475,965	469,063
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,135,921</b>	<b>2,168,474</b>
<b>TOTAL LIABILITIES</b>		<b>13,326,463</b>	<b>9,609,157</b>
<b>NET ASSETS</b>		<b>413,944,120</b>	<b>405,327,748</b>
<b>EQUITY</b>			
Retained surplus		127,524,101	116,134,519
Reserves - cash backed	4	35,273,696	38,046,906
Revaluation surplus	12	251,146,323	251,146,323
<b>TOTAL EQUITY</b>		<b>413,944,120</b>	<b>405,327,748</b>

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



SHIRE OF BROOME  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
<b>Balance as at 1 July 2017</b>		120,385,478	31,382,437	271,976,287	423,744,202
Comprehensive income					
Net result for the period		2,413,510	0	0	2,413,510
Other comprehensive income	12	0	0	(20,829,964)	(20,829,964)
Total comprehensive income		2,413,510	0	(20,829,964)	(18,416,454)
Transfers from/(to) reserves		(6,664,469)	6,664,469	0	0
<b>Balance as at 30 June 2018</b>		116,134,519	38,046,906	251,146,323	405,327,748
Comprehensive income					
Net result for the period		8,616,372	0	0	8,616,372
Total comprehensive income		8,616,372	0	0	8,616,372
Transfers from/(to) reserves		2,773,210	(2,773,210)	0	0
<b>Balance as at 30 June 2019</b>		127,524,101	35,273,696	251,146,323	413,944,120

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

SHIRE OF BROOME  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		22,284,359	22,360,273	22,141,540
Operating grants, subsidies and contributions		2,299,955	6,345,984	2,872,489
Fees and charges		9,908,218	11,092,800	10,871,793
Interest received		1,476,449	1,121,872	1,304,843
Goods and services tax received		1,269,719	0	2,991,537
Other revenue		1,534,314	1,259,156	1,047,668
		38,773,014	42,180,085	41,229,870
<b>Payments</b>				
Employee costs		(15,068,488)	(16,678,338)	(15,424,327)
Materials and contracts		(6,685,019)	(13,417,528)	(8,523,582)
Utility charges		(1,882,925)	(2,002,962)	(1,769,449)
Interest expenses		(31,301)	(92,755)	(119,839)
Insurance paid		(657,408)	(657,174)	(630,726)
Goods and services tax paid		(3,943,577)	0	(3,098,829)
Other expenditure		(2,613,860)	(3,144,792)	(2,700,647)
		(30,882,578)	(35,993,549)	(32,267,399)
<b>Net cash provided by (used in) operating activities</b>	16	7,890,436	6,186,536	8,962,471
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(2,199,719)	(4,265,801)	(3,178,496)
Payments for construction of infrastructure		(22,385,310)	(23,669,561)	(5,067,817)
Non-operating grants, subsidies and contributions		12,577,669	13,782,824	7,023,995
Proceeds from sale of property, plant & equipment		72,814	238,000	379,552
<b>Net cash provided by (used in) investment activities</b>		(11,934,546)	(13,914,538)	(842,766)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of borrowings		(619,826)	(619,827)	(592,742)
Proceeds from new borrowings		1,700,000	1,700,000	0
<b>Net cash provided by (used in) financing activities</b>		1,080,174	1,080,173	(592,742)
<b>Net increase (decrease) in cash held</b>		(2,963,936)	(6,647,829)	7,526,963
Cash at beginning of year		45,133,347	39,593,284	37,606,384
<b>Cash and cash equivalents at the end of the year</b>	16	42,169,411	32,945,455	45,133,347

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

SHIRE OF BROOME  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>OPERATING ACTIVITIES</b>				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	4,346,500	3,763,179	3,606,464
		4,346,500	3,763,179	3,606,464
<b>Revenue from operating activities (excluding rates)</b>				
Governance		614,432	399,596	22,907
General purpose funding		2,311,202	1,338,712	2,287,446
Law, order, public safety		128,540	138,743	186,974
Health		197,486	189,761	208,293
Education and welfare		24,000	90,000	19,770
Housing		716,548	622,164	585,062
Community amenities		6,421,517	7,598,727	7,164,053
Recreation and culture		1,340,966	1,473,656	1,644,971
Transport		1,682,022	2,641,520	1,448,213
Economic services		1,033,114	3,103,330	1,082,865
Other property and services		2,522,237	2,244,733	2,284,033
		16,992,064	19,840,942	16,934,587
<b>Expenditure from operating activities</b>				
Governance		(2,481,720)	(2,707,164)	(2,005,502)
General purpose funding		(404,056)	(446,696)	(307,300)
Law, order, public safety		(1,055,516)	(1,022,337)	(1,410,163)
Health		(745,364)	(788,573)	(745,194)
Education and welfare		(587,946)	(737,232)	(580,039)
Housing		(860,897)	(751,394)	(742,808)
Community amenities		(8,173,819)	(9,276,019)	(8,483,658)
Recreation and culture		(11,505,781)	(12,329,557)	(10,684,684)
Transport		(12,345,614)	(10,851,832)	(12,759,452)
Economic services		(2,857,049)	(4,264,199)	(3,054,017)
Other property and services		(2,328,225)	(2,334,493)	(2,703,764)
		(43,345,987)	(45,509,496)	(43,476,581)
Non-cash amounts excluded from operating activities	23(a)	9,840,185	9,746,735	13,450,498
Amount attributable to operating activities		(12,167,238)	(12,158,640)	(9,485,032)
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		12,577,669	13,782,824	7,023,995
Proceeds from disposal of assets	11(a)	72,814	238,000	379,552
Purchase of property, plant and equipment	9(a)	(2,199,719)	(4,265,801)	(3,178,496)
Purchase and construction of infrastructure	10(a)	(22,385,310)	(23,669,561)	(5,067,817)
Amount attributable to investing activities		(11,934,546)	(13,914,538)	(842,766)
<b>FINANCING ACTIVITIES</b>				
Repayment of borrowings	14(b)	(619,826)	(619,827)	(592,742)
Proceeds from borrowings	14(c)	1,700,000	1,700,000	0
Transfers to reserves (restricted assets)	4	(7,113,415)	(4,289,032)	(8,974,332)
Transfers from reserves (restricted assets)	4	9,886,625	6,905,388	2,309,863
Amount attributable to financing activities		3,853,384	3,696,529	(7,257,211)
Surplus/(deficit) before imposition of general rates		(20,248,400)	(22,376,649)	(17,585,009)
Total amount raised from general rates	22	22,392,626	22,376,649	21,931,509
Surplus/(deficit) after imposition of general rates	23(b)	2,144,226	0	4,346,500

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 2019

**1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads* paragraph 15 and *AASB 116 Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**CRITICAL ACCOUNTING ESTIMATES**

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

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

**THE LOCAL GOVERNMENT REPORTING ENTITY**

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

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 25 to these financial statements.

## SHIRE OF BROOME

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 2. REVENUE AND EXPENSES

## (a) Revenue

## Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
<b>Operating grants, subsidies and contributions</b>			
Governance	231,880	340,000	8,186
General purpose funding	1,903,512	900,904	1,837,256
Health	0	2,000	2,198
Education and welfare	24,000	90,000	15,000
Community amenities	66,671	10,000	5,000
Recreation and culture	112,540	213,530	372,598
Transport	1,512,818	2,501,380	1,287,446
Economic services	50,000	2,221,360	167,356
Other property and services	76,803	86,770	189,302
	3,978,224	6,365,944	3,884,342
<b>Non-operating grants, subsidies and contributions</b>			
Law, order, public safety	0	1,200,000	0
Community amenities	200,000	0	255,000
Recreation and culture	5,229,229	8,084,638	194,933
Transport	2,937,562	1,868,192	1,498,892
Economic services	4,118,408	2,629,994	4,950,000
Other property and services	92,470	0	125,170
	12,577,669	13,782,824	7,023,995
<b>Total grants, subsidies and contributions</b>	<b>16,555,893</b>	<b>20,148,768</b>	<b>10,908,337</b>

## SIGNIFICANT ACCOUNTING POLICIES

## Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

## Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 21.

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.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
<b>Other revenue</b>			
Reimbursements and recoveries	1,604,115	1,238,656	940,674
Other	17,785	20,500	47,919
	<u>1,621,900</u>	<u>1,259,156</u>	<u>988,593</u>
<b>Fees and Charges</b>			
General purpose funding	91,370	0	72,683
Law, order, public safety	77,234	80,500	159,633
Health	194,460	102,948	203,114
Education and welfare	0	187,761	0
Housing	716,548	620,814	582,673
Community amenities	5,825,122	7,180,095	6,715,597
Recreation and culture	1,115,995	1,159,666	1,168,998
Transport	3,564	25,000	25,603
Economic services	910,772	745,886	769,708
Other property and services	973,153	990,130	1,045,940
	<u>9,908,218</u>	<u>11,092,800</u>	<u>10,743,949</u>
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
<b>Interest earnings</b>			
Reserve accounts interest	951,628	685,860	783,428
Rates instalment and penalty interest (refer Note 22(c))	315,438	280,000	283,215
Other interest earnings	209,383	156,012	238,200
	<u>1,476,449</u>	<u>1,121,872</u>	<u>1,304,843</u>
<b>(b) Expenses</b>			
	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
<b>Auditors remuneration</b>			
- Audit of the Annual Financial Report	59,000	30,000	28,102
- Other services	3,700	21,500	5,769
	<u>62,700</u>	<u>51,500</u>	<u>33,871</u>
<b>Interest expenses (finance costs)</b>			
Borrowings (refer Note 14(b))	92,802	92,755	118,981
	<u>92,802</u>	<u>92,755</u>	<u>118,981</u>

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

### 3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		42,169,411	45,133,347
		42,169,411	45,133,347
<b>Comprises:</b>			
- Unrestricted cash and cash equivalents		6,135,600	7,086,441
- Restricted cash and cash equivalents		36,033,811	38,046,906
		42,169,411	45,133,347
The following restrictions have been imposed by regulations or other externally imposed requirements:			
<b>Reserve accounts</b>			
Reserves cash backed - Leave Reserve	4	1,051,077	1,592,185
Reserves cash backed - Restricted Cash	4	712,179	5,045,885
Reserves cash backed - Community Sponsorship	4	61,744	84,449
Reserves cash backed - EDL Sponsorship	4	145,188	182,370
Reserves cash backed - Road Reserve	4	2,061,646	2,764,619
Reserves cash backed - Public Art Reserve	4	167,571	162,747
Reserves cash backed - Carpark Reserve	4	533,886	485,090
Reserves cash backed - Footpath Reserve	4	2,179,884	2,338,141
Reserves cash backed - BRAC (Leisure Centre) Reserve	4	98,488	54,376
Reserves cash backed - Public Open Space	4	3,385,685	2,300,553
Reserves cash backed - Drainage reserve	4	1,693,989	1,839,820
Reserves cash backed - Plant	4	2,026,247	1,559,839
Reserves cash backed - Buildings	4	2,647,091	3,451,747
Reserves cash backed - Refuse Site Reserve	4	3,259,028	3,377,488
Reserves cash backed - Regional Resource Recovery Park Reserve	4	14,243,536	12,190,279
Reserves cash backed - IT & Equipment	4	518,998	432,473
Reserves cash backed - Kimberley Zone	4	487,459	184,845
		35,273,696	38,046,906
<b>Other restricted cash and cash equivalents</b>			
Bonds and deposits held	25	760,115	0
<b>Total restricted cash and cash equivalents</b>		36,033,811	38,046,906

#### SIGNIFICANT ACCOUNTING POLICIES

##### Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

##### Cash and cash equivalents (Continued)

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 2019

4. RESERVES - CASH BACKED

	2019 Opening Balance	2019 Actual Transfer to	2019 Actual Transfer from	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer from	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer from	2018 Actual Closing Balance
(a) Reserves cash backed - Leave Reserve	1,592,185	47,197	(588,305)	1,051,077	1,268,976	33,108	0	1,302,084	1,392,788	387,781	(188,384)	1,592,185
(b) Reserves cash backed - Restricted Cash	5,045,885	0	(4,333,706)	712,179	4,827,298	72,878	(3,387,877)	913,339	2,033,574	3,683,445	(571,135)	5,045,885
(c) Reserves cash backed - Community Sponsorship	84,449	2,503	(25,208)	61,744	63,286	1,152	0	64,438	61,986	22,463	0	84,449
(d) Reserves cash backed - EDL Sponsorship	182,370	5,406	(42,588)	145,188	214,761	2,064	(90,000)	126,825	210,359	5,615	(33,605)	182,370
(e) Reserves cash backed - Road Reserve	2,764,619	1,132,395	(1,835,358)	2,061,646	2,278,110	331,319	(420,000)	2,189,429	2,466,645	347,974	(50,000)	2,764,619
(f) Reserves cash backed - Public Art Reserve	162,747	4,824	0	167,571	160,817	3,816	0	164,633	158,515	4,231	0	162,747
(g) Reserves cash backed - Carpark Reserve	485,090	48,796	0	533,886	485,278	45,912	0	531,190	472,478	12,612	0	485,090
(h) Reserves cash backed - Footpath Reserve	2,338,141	334,701	(492,958)	2,179,884	2,106,857	307,968	(272,000)	2,142,825	2,124,387	388,308	(174,554)	2,338,141
(i) Reserves cash backed - BRAC (Leisure Centre) Reserve	54,376	44,112	0	98,488	53,063	1,260	0	54,323	52,962	1,414	0	54,376
(j) Reserves cash backed - Public Open Space	2,300,553	1,353,132	(268,000)	3,385,685	1,883,326	108,753	0	1,992,079	1,484,517	816,036	0	2,300,553
(k) Reserves cash backed - Drainage reserve	1,839,820	78,489	(224,320)	1,693,989	1,774,203	61,307	(100,801)	1,734,709	1,538,941	336,547	(35,666)	1,839,820
(l) Reserves cash backed - Plant	1,599,639	466,408	0	2,026,247	1,485,633	364,500	0	1,850,133	1,445,003	118,787	0	1,599,639
(m) Reserves cash backed - Buildings	3,451,747	570,687	(1,375,343)	2,647,091	1,966,598	260,387	(1,161,850)	1,065,135	4,225,523	178,443	(952,218)	3,451,747
(n) Reserves cash backed - Refuse Site Reserve	3,377,488	242,108	(390,568)	3,229,028	4,432,649	58,836	(422,900)	4,068,585	3,531,099	94,258	(247,870)	3,377,488
(o) Reserves cash backed - Regional Resource Recovery Park Reserve	12,190,279	2,200,413	(147,156)	14,243,536	9,497,710	2,561,283	(450,000)	11,608,993	9,637,910	2,604,850	(52,481)	12,190,279
(p) Reserves cash backed - IT & Equipment	432,473	66,525	0	518,998	432,610	54,609	0	487,219	365,711	68,762	0	432,473
(q) Reserves cash backed - Kimberley Zone	184,645	495,729	(193,115)	487,259	184,739	19,880	0	204,619	180,039	4,806	0	184,645
	38,046,906	7,113,415	(9,896,625)	35,273,696	33,115,914	4,289,032	(6,305,388)	30,499,558	31,382,437	8,974,332	(2,309,863)	38,046,906

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

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

Anticipated date of use	Name of Reserve	Purpose of the reserve
Ongoing	Reserves cash backed - Leave Reserve	To be used to fund annual and long service leave requirements.
Ongoing	Reserves cash backed - Restricted Cash	To be used for unspent grant, contribution and loan funds.
Ongoing	Reserves cash backed - Community Sponsorship	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.
Ongoing	Reserves cash backed - EDL Sponsorship	To hold funds to be spent on community projects as approved by Energy Development Limited.
Ongoing	Reserves cash backed - Road Reserve	To be used for renewal, upgrade or new streets and roads.
Ongoing	Reserves cash backed - Public Art Reserve	To hold funds set aside annually to fund future public art projects and initiatives within the Shire.
Ongoing	Reserves cash backed - Carpark Reserve	To be used for renewal, upgrade or new carparks. Typically funds are from "Cash In Lieu" payments from developers.
Ongoing	Reserves cash backed - Footpath Reserve	To be used for renewal, upgrade or new footpaths. Typically, funds are from contributions made by developers.
Ongoing	Reserves cash backed - BRAC (Leisure Centre) Reserve	To be used for the construction of recreation infrastructure and facilities.
Ongoing	Reserves cash backed - Public Open Space	To be used for renewal, upgrade, replacement or new public open space facilities and garden areas associated with buildings and other freely accessible public recreational facilities. Any contributions from developers are held in Trust.
Ongoing	Reserves cash backed - Drainage reserve	To be used for the renewal, upgrade or construction of drainage services. Typically funds are from contributions made by developers.
Ongoing	Reserves cash backed - Plant	To be used for the renewal, upgrade or purchase of new mobile plant and engineering equipment.
Ongoing	Reserves cash backed - Buildings	To be used for renewal, upgrade, replacement or new building construction and associated infrastructure.
Ongoing	Reserves cash backed - Refuse Site Reserve	To be used for the current and future costs of maintaining and closing the refuse site in accordance with operational needs and environmental guidelines.
Ongoing	Reserves cash backed - Regional 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
Ongoing	Reserves cash backed - IT & Equipment	To be used for renewal, upgrade or new office equipment, IT hardware and software.
Ongoing	Reserves cash backed - Kimberley Zone	To hold funds set aside annually to fund future projects and initiatives for the Kimberley Zone of WALGA and/or Regional Collaborative Groups.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 5. TRADE RECEIVABLES

### Current

Rates receivable	
Sundry receivables	
GST receivable	
Other current receivables	
Allowance for impairment - rates	
Allowance for impairment - sundry debtors	

### Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

2019	2018
\$	\$
917,077	794,223
883,293	903,729
490,250	292,871
735,618	445,231
(135,992)	(106,676)
(82,728)	(23,948)
2,807,518	2,305,430
32,159	17,430
32,159	17,430

## SIGNIFICANT ACCOUNTING POLICIES

### Trade and other receivables

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

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

### Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

### Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

### Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 6. INVENTORIES

	2019	2018
	\$	\$
<b>Current</b>		
Fuel and materials	42,118	28,554
BRAC Stock	7,345	5,461
	<u>49,463</u>	<u>34,015</u>

The following movements in inventories occurred during the year:

<b>Carrying amount at 1 July</b>	34,015	36,645
Inventories expensed during the year	0	(2,630)
Additions to inventory	15,448	0
<b>Carrying amount at 30 June</b>	<u>49,463</u>	<u>34,015</u>

### SIGNIFICANT ACCOUNTING POLICIES

#### General

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

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

**7. OTHER ASSETS**

**Other current assets**

Bonds and deposits held by others  
Prepayments

	2019	2018
	\$	\$
Bonds and deposits held by others	47,159	48,978
Prepayments	303,481	100,307
	<b>350,640</b>	<b>149,285</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

**8. OTHER FINANCIAL ASSETS**

**Non-current assets**

Other financial assets

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

- *Unlisted equity investments*

Financial assets at fair value through profit and loss - LG Housing Trust

2019	2018
\$	\$
87,586	0
87,586	0
87,586	0
87,586	0

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

**Impairment and risk**

Information regarding impairment and exposure to risk can be found at Note 24.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Previous accounting policy: available for sale financial assets**

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as 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.

**Previous accounting policy: Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 26 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in Progress - Buildings	Work in Progress - Furniture & Equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	2,680,000	16,076,532	18,756,532	59,693,769	59,693,769	78,450,301	792,760	9,804,778	192,224	125,170	89,365,233
Additions	340,192	0	340,192	772,358	772,358	1,112,550	455,376	1,457,261	153,309	0	3,178,496
(Disposals)	0	0	0	0	0	0	0	(513,838)	(162,853)	0	(676,691)
Depreciation (expense)	0	0	0	(1,733,104)	(1,733,104)	(1,733,104)	(157,139)	(1,467,811)	0	0	(3,358,054)
Transfers	0	0	0	1,734	1,734	1,734	125,170	0	(1,734)	(125,170)	0
Carrying amount at 30 June 2018	3,020,192	16,076,532	19,096,724	58,734,757	58,734,757	77,831,481	1,216,167	9,280,390	180,946	0	88,508,984
Comprises:											
Gross carrying amount at 30 June 2018	3,020,192	16,076,532	19,096,724	60,467,861	60,467,861	79,564,585	1,373,306	11,533,464	180,946	0	92,652,301
Accumulated depreciation at 30 June 2018	0	0	0	(1,733,104)	(1,733,104)	(1,733,104)	(157,139)	(2,253,074)	0	0	(4,143,317)
Carrying amount at 30 June 2018	3,020,192	16,076,532	19,096,724	58,734,757	58,734,757	77,831,481	1,216,167	9,280,390	180,946	0	88,508,984
Additions	0	0	0	1,033,256	1,033,256	1,033,256	347,111	272,434	546,918	0	2,199,719
(Disposals)	0	0	0	0	0	0	0	(87,422)	0	0	(87,422)
Depreciation (expense)	0	0	0	(1,757,755)	(1,757,755)	(1,757,755)	(309,224)	(1,508,899)	0	0	(3,575,878)
Transfers	0	0	0	180,946	180,946	180,946	0	0	(180,946)	0	0
Carrying amount at 30 June 2019	3,020,192	16,076,532	19,096,724	58,191,204	58,191,204	77,287,928	1,254,054	7,956,503	546,918	0	87,045,403
Comprises:											
Gross carrying amount at 30 June 2019	3,020,192	16,076,532	19,096,724	61,682,062	61,682,062	80,778,786	1,720,417	11,646,148	546,918	0	94,692,269
Accumulated depreciation at 30 June 2019	0	0	0	(3,490,858)	(3,490,858)	(3,490,858)	(466,363)	(3,689,845)	0	0	(7,646,866)
Carrying amount at 30 June 2019	3,020,192	16,076,532	19,096,724	58,191,204	58,191,204	77,287,928	1,254,054	7,956,503	546,918	0	87,045,403

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

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

**(b) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
<b>Land and buildings</b>					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Sales comparisons (level 2 inputs)
Land - vested in and under the control of Council	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2017	At cost
Buildings - non-specialised	3	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2017	Sales comparisons per lettable area (level 2 inputs), depreciated replacement cost per unit area and estimated useful life (Level 3 inputs)
<b>Furniture and equipment</b>	3	Market approach using recent observable market data for similar assets	Management valuation	June 2017	Market price per item, adjusted for condition and comparability
<b>Plant and equipment</b>	3	Market Approach using recent observable market data for similar assets	Management valuation	June 2016	Current replacement cost (market price per item) and condition assessment (level 2 inputs), residual values & estimated useful life (Level 3 inputs)

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

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Roads	Footpaths, Carparks & Bridges	Drainage	Recreation Areas	Infrastructure Others	Works in Progress - Roads, Footpaths and Bridges Infrastructure	Works in Progress - Drainage	Works in Progress - Other Infrastructure	Works in Progress - Recreation Areas	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	227,042,202	25,298,022	40,283,285	2,565,054	3,023,999	930,621	0	982,904	0	304,126,067
Additions	1,538,183	274,523	22,235	161,512	212,850	1,939,238	425,666	423,642	69,968	5,067,817
Revaluation increments / (decrements) transferred to revaluation surplus	(32,251,034)	8,281,254	(6,686,809)	8,014,788	1,831,837	0	0	0	0	(20,829,964)
Depreciation (expense)	(6,569,769)	(1,012,540)	(1,123,188)	(169,260)	(660,809)	0	0	0	0	(9,575,596)
Transfers	884,875	0	0	0	259,018	(884,875)	0	(259,018)	0	0
Carrying amount at 30 June 2018	190,624,517	38,821,259	32,495,503	10,572,094	4,646,895	1,984,984	425,666	1,147,528	69,968	278,788,414
Comprises:										
Gross carrying amount at 30 June 2018	237,035,322	38,821,259	32,495,503	10,572,094	4,646,895	1,984,984	425,666	1,147,528	69,968	325,199,219
Accumulated depreciation at 30 June 2018	(46,410,805)	0	0	0	0	0	0	0	0	(46,410,805)
Carrying amount at 30 June 2018	190,624,517	38,821,259	32,495,503	10,572,094	4,646,895	1,984,984	425,666	1,147,528	69,968	278,788,414
Additions	12,395,300	2,315,740	49,862	416,932	993,829	375,257	64,966	5,060,488	712,916	22,385,310
Depreciation (expense)	(3,416,467)	(660,969)	(683,552)	(1,110,556)	(373,777)	0	0	0	0	(6,445,321)
Transfers	1,984,983	0	425,666	0	1,147,528	(1,984,983)	(425,666)	(1,147,528)	0	0
Carrying amount at 30 June 2019	201,588,333	38,276,030	32,287,479	9,878,470	6,414,475	375,258	64,966	5,060,488	782,884	294,728,403
Comprises:										
Gross carrying amount at 30 June 2019	251,415,605	38,136,999	32,871,031	10,989,026	6,798,252	375,258	64,966	5,060,488	782,884	347,564,529
Accumulated depreciation at 30 June 2019	(49,827,272)	(660,969)	(683,552)	(1,110,556)	(373,777)	0	0	0	0	(52,856,126)
Carrying amount at 30 June 2019	201,588,333	38,276,030	32,287,479	9,878,470	6,414,475	375,258	64,966	5,060,488	782,884	294,728,403

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

10. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Roads	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Footpaths, Carparks & Bridges	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Drainage	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Recreation Areas	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure Others	3	Cost approach using depreciated replacement cost	Management valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

The following assets were disposed of during the year.

### Plant and equipment

## SHIRE OF BROOME

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 11. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

## (c) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	1,757,755	1,733,108	1,733,104
Furniture and equipment	309,224	157,140	157,139
Plant and equipment	1,508,899	1,441,134	1,467,811
Roads	3,416,467	4,211,131	6,589,709
Footpaths, Carparks & Bridges	860,969	0	1,012,540
Drainage	683,552	682,590	1,123,188
Recreation Areas	1,110,556	1,114,556	169,260
Infrastructure Others	373,777	328,023	680,809
	10,021,199	9,667,682	12,933,560

## SIGNIFICANT ACCOUNTING POLICIES

## Depreciation

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

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.

## Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

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

## Depreciation (Continued)

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

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

12. REVALUATION SURPLUS

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	34,853,440	34,853,440	34,853,440	0	0	0	34,853,440
Revaluation surplus - Furniture and equipment	201,314	201,314	201,314	0	0	0	201,314
Revaluation surplus - Roads	148,062,212	148,062,212	180,313,246	0	(32,251,034)	(32,251,034)	148,062,212
Revaluation surplus - Footpaths, Carparks & Bridges	30,512,688	30,512,688	22,251,434	8,261,254	0	8,261,254	30,512,688
Revaluation surplus - Drainage	27,400,598	27,400,598	34,087,407	0	(6,686,809)	(6,686,809)	27,400,598
Revaluation surplus - Recreation Areas	8,014,788	8,014,788	0	8,014,788	0	8,014,788	8,014,788
Revaluation surplus - Infrastructure Others	2,101,283	2,101,283	269,446	1,831,837	0	1,831,837	2,101,283
	251,146,323	251,146,323	271,976,287	18,107,879	(38,937,843)	(20,829,964)	251,146,323

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

### 13. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
<b>Current</b>		
Sundry creditors	5,101,744	2,705,671
Rates paid in advance	307,254	245,753
Accrued salaries and wages	473,218	444,752
ATO liabilities	0	13,239
Bonds and customer deposits	760,115	159,401
Accrued and other liabilities	853,129	1,037,894
	<b>7,495,460</b>	<b>4,606,710</b>

### SIGNIFICANT ACCOUNTING POLICIES

#### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect 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.

#### 14. INFORMATION ON BORROWINGS

[illegible]

All other loan repayments were financed by general purpose revenue.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

14. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate	Amount Borrowed		Amount (Used)		Total Interest & Charges	Actual Balance Unspent
					2019 Actual	2019 Budget	2019 Actual	2019 Budget		
Chinatown Revitalisation Project	WATC	Fixed-Term	10	1.89%	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 1,700,000	\$ 966	\$ 0
					1,700,000	1,700,000	1,700,000	1,700,000		

	2019	2018
	\$	\$
<b>(d) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
Bank overdraft limit	700,000	700,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	(6,858)	0
<b>Total amount of credit unused</b>	<b>718,142</b>	<b>725,000</b>
<b>Loan facilities</b>		
Loan facilities - current	739,456	619,827
Loan facilities - non-current	2,659,956	1,699,411
<b>Total facilities in use at balance date</b>	<b>3,399,412</b>	<b>2,319,238</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

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

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

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

**Borrowing costs**

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

**Risk**

Information regarding exposure to risk can be found at Note 24.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	1,355,813	858,333	2,214,146
Non-current provisions	0	469,063	469,063
	1,355,813	1,327,396	2,683,209
Additional provision	0	158,931	158,931
Amounts used	(410,549)	0	(410,549)
Balance at 30 June 2019	945,264	1,486,327	2,431,591
Comprises			
Current	945,264	1,010,362	1,955,626
Non-current	0	475,965	475,965
	945,264	1,486,327	2,431,591
Amounts are expected to be settled on the following basis:	2019	2018	
	\$	\$	
Less than 12 months after the reporting date	1,380,514	1,091,024	
More than 12 months from reporting date	1,051,077	1,592,185	
	2,431,591	2,683,209	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

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

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 16. NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cash and cash equivalents	42,169,411	32,945,455	45,133,347

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

Net result	8,616,372	10,490,919	2,413,510
Non-cash flows in Net result:			
Depreciation	10,021,199	9,667,682	12,933,560
(Profit)/loss on sale of asset	14,608	79,053	297,139
Recognition of units in LG Housing Trust	(87,586)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(516,817)	(36,336)	(712,146)
(Increase)/decrease in other assets	(201,355)	0	(10,049)
(Increase)/decrease in inventories	(15,448)	0	2,630
Increase/(decrease) in payables	2,888,750	(265,066)	852,648
Increase/(decrease) in provisions	(251,618)	33,108	209,174
Grants contributions for the development of assets	(12,577,669)	(13,782,824)	(7,023,995)
Net cash from operating activities	7,890,436	6,186,536	8,962,471

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

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

	2019	2018
	\$	\$
Governance	632,650	367,216
General purpose funding	9,046,506	12,837,305
Law, order, public safety	484,314	536,302
Health	9,747	10,966
Housing	3,665,222	3,687,477
Community amenities	55,759,713	53,302,616
Recreation and culture	48,028,679	43,652,690
Transport	249,561,564	237,068,421
Economic services	6,684,086	7,294,156
Other property and services	39,788,362	38,284,610
Unallocated	13,609,740	17,895,146
	<u>427,270,583</u>	<u>414,936,905</u>

SHIRE OF BROOME

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

#### 18. CONTINGENT LIABILITIES

The Shire is currently negotiating with Downer EDI Works (Downer) in relation to a number of variations for the Chinatown Revitalisation Project amounting to \$322,000. The Shire offered a full and final settlement of \$8,090,000, whereas Downer are willing to accept \$8,422,000.

Subsequent to 30 June 2019 but before the issue of this financial report, the negotiation remained on-going and the outcome of the matter cannot be estimated reliably. Additional expenses are estimated to be \$300,000 to \$400,000 if the matter is escalated to arbitration.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 19. CAPITAL AND LEASING COMMITMENTS

### (a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

2019	2018
\$	\$
87,432	2,017,266
332,641	0
420,073	2,017,266

Payable:

- not later than one year

420,073	2,017,266
---------	-----------

### (b) Operating Lease Commitments

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

Payable:

- not later than one year

2019	2018
\$	\$
384,181	298,261
384,181	298,261

## SIGNIFICANT ACCOUNTING POLICIES

### Leases

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

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

### Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 20. RELATED PARTY TRANSACTIONS

### Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	156,817	161,130	161,455
President's allowance	47,045	47,045	47,045
Deputy President's allowance	11,761	11,761	11,761
Travelling expenses	46,407	53,450	49,210
Telecommunications allowance	30,625	31,500	31,500
	292,655	304,886	300,971

### Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	790,300	744,067
Post-employment benefits	80,181	94,851
Other long-term benefits	11,184	9,900
	881,665	848,818

#### Short-term employee benefits

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

#### Post-employment benefits

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

#### Other long-term benefits

These amounts represent long service benefits accruing during the year.

#### Termination benefits

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 20. RELATED PARTY TRANSACTIONS (Continued)

### Transactions with related parties

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

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

	2019 Actual	2018 Actual
	\$	\$
The following transactions occurred with related parties:		
Sale of goods and services	151,889	285,708
Purchase of goods and services	321,803	80,696

### Related Parties

#### The Shire's main related parties are as follows:

##### i. Key management personnel

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

##### ii. Other Related Parties

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

##### iii. Entities subject to significant influence by the Shire

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



SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 22. RATING INFORMATION

### (a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual	Rateable	Actual	Rate	Actual	Interim	Actual	Rate	Budget	Interim	Budget	Rate	Budget	Total	Actual	Total
		\$		\$		\$		\$		\$		\$		\$		\$		\$	
Gross rental valuations																			
GRV - RESIDENTIAL		9.9283	4,849	123,703,016		12,228,847		22,526		12,251,373		12,234,305	50,000	12,284,305				11,970,979	
GRV - RESIDENTIAL - VACANT		16.0727	138	3,965,250		394,239		(12,832)		381,407		374,857	0	374,857				377,214	
GRV - COMMERCIAL		10.9568	579	52,078,568		5,945,303		20,909		5,966,212		5,917,153	0	5,917,153				5,794,809	
GRV - TOURISM		15.2390	425	16,350,480		2,568,152		(4,691)		2,563,461		2,548,542	0	2,548,542				2,483,399	
GRV - EXEMPT				0		0		0		0		0	0	0				(1,009)	
Unimproved valuations																			
UV - COMMERCIAL RURAL		3.1327	21	6,643,773		208,129		0		208,129		208,128	0	208,128				204,489	
UV - MINING		12.5464	37	1,068,487		88,876		41,997		130,873		86,575	0	86,575				89,801	
UV - RURAL		0.6887	53	17,486,000		116,929		0		116,929		116,927	0	116,927				113,523	
Sub-Total			6,102	221,295,574		21,550,475		67,909		21,618,384		21,486,487	50,000	21,536,487				21,033,205	
Minimum payment																			
Minimum \$																			
Gross rental valuations																			
GRV - RESIDENTIAL		1,220	74	808,692		92,720		0		92,720		90,280	0	90,280				111,020	
GRV - RESIDENTIAL - VACANT		1,220	198	1,341,340		223,260		0		223,260		241,560	0	241,560				236,680	
GRV - COMMERCIAL		1,220	25	1,497,102		29,280		0		29,280		30,500	0	30,500				31,720	
GRV - TOURISM		1,220	413	1,459,640		505,080		0		505,080		503,860	0	503,860				503,860	
Unimproved valuations																			
UV - COMMERCIAL RURAL		1,220	2	13,300		2,440		0		2,440		2,440	0	2,440				2,440	
UV - MINING		500	29	40,908		14,500		0		14,500		14,500	0	14,500				15,000	
UV - RURAL		1,220	4	191,300		4,880		0		4,880		4,880	0	4,880				4,880	
Sub-Total			745	5,352,282		872,160		0		872,160		888,020	0	888,020				905,600	
Discounts/concessions (refer Note 22(b))																			
			6,847	226,647,856		22,422,635		67,909		22,490,544		22,374,507	50,000	22,424,507				21,938,805	
Total amount raised from general rate																			
(97,918)																			
(47,858)																			
22,392,626																			
22,376,649																			
21,931,509																			
21,931,509																			
Totals																			

### SIGNIFICANT ACCOUNTING POLICIES

#### Rates

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

22. RATING INFORMATION (Continued)

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

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	2019		2018	
			Actual	Budget	Actual	Budget
			\$	\$	\$	\$
General Rates	Concession	8.585%	0	0	0	(978)
General Rates	Concession	7.935%	0	0	(5,336)	0
General Rates	Concession	7.815%	0	0	(982)	0
General Rates	Charitable concession	90.00%	(17,947)	(17,947)	0	0
General Rates	Charitable concession	50.00%	(3,369)	(3,369)	0	0
General Rates	Charitable concession	37.00%	(11,626)	(11,626)	0	0
General Rates	Charitable concession	50.00%	(4,602)	(4,603)	0	0
General Rates	Charitable concession	50.00%	(1,384)	(1,384)	0	0
General Rates	Charitable concession	50.00%	(1,103)	(1,103)	0	0
General Rates	Charitable concession	50.00%	(1,239)	(1,239)	0	0
General Rates	Charitable concession	50.00%	(1,103)	(1,103)	0	0
General Rates	Charitable concession	50.00%	(1,000)	(1,000)	0	0
General Rates	Charitable concession	50.00%	(1,000)	(1,000)	0	0
General Rates	Charitable concession	50.00%	(1,278)	(1,278)	0	0
General Rates	Charitable concession	50.00%	(1,103)	(1,103)	0	0
General Rates	Charitable concession	50.00%	(1,103)	(1,103)	0	0
General Rates	UV-GRV Phase in		(36,043)		0	0
General Rates	Concession	100.00%	(8,546)	0	0	0
General Rates	Concession	100.00%	(5,472)	0	0	0
			(97,518)	(47,858)		(7,296)

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
General Rates	Varying concessions to a charitable organisation (90%, 50%, 50%, 37%)		Concession offered because of the nature of the undertaking of the organisation providing social housing and affordable housing.
General Rates	Phasing in of impact of change in valuation from UV to GRV		To reduce the financial impact of change in methodology of valuation from UV to GRV.
General Rates	100% exemption to housing properties owned by University of WA to accommodate students undertaking placement in Broome		100% exemption in accordance with section 6.26(2)(i) of the Local Government Act 1995 and section 36 of the University of Western Australia Act 1911
General Rates	100% concession to property owned by an church with attached mailboxes.		Concession offered because of the nature of the undertaking of the organisation providing benefit to wider community.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 22. RATING INFORMATION (Continued)

### (c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Single full payment	23 Aug 2018	0.00	0.00%	11.00%
First instalment	23 Aug 2018	7.00	5.50%	11.00%
Second instalment	10 Jan 2019	7.00	5.50%	11.00%
First instalment	23 Aug 2018	7.00	5.50%	11.00%
Second instalment	25 Oct 2018	7.00	5.50%	11.00%
Third instalment	10 Jan 2019	7.00	5.50%	11.00%
Fouth instalment	14 Mar 2019	7.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	183,904	150,000	150,320
Interest on instalment plan	131,534	130,000	132,895
Charges on instalment plan	58,540	42,000	40,978
Payment arrangement fee	32,830	38,500	7,505
	<u>406,808</u>	<u>360,500</u>	<u>331,698</u>

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

### 23. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget	2018/19
	2018/19 (30 June 2019 Carried Forward)	(30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
Note	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
<b>Adjustments to operating activities</b>			
Less: Profit on asset disposals	11(a)	(7,273)	(12,860)
Less: Movement in liabilities associated with restricted cash		(100,209)	0
Less: Non-cash gain on recognition of financial assets at fair value through profit or loss		(87,586)	0
Movement in pensioner deferred rates (non-current)		(14,729)	(369)
Movement in employee benefit provisions (non-current)		6,902	220,168
Add: Loss on disposal of assets	11(a)	21,881	309,999
Add: Depreciation on assets	11(c)	10,021,199	12,933,560
<b>Non cash amounts excluded from operating activities</b>		<b>9,840,185</b>	<b>13,450,498</b>
<b>(b) Surplus/(deficit) after imposition of general rates</b>			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
<b>Adjustments to net current assets as per balance sheet</b>			
Less: Reserves - restricted cash	3	(35,273,696)	(38,046,906)
Less: Bonds and deposits held by others		(100,209)	0
Add: Borrowings	14(a)	739,456	619,827
Add: Liability not expected to be paid within 12 months		1,592,185	1,592,185
<b>Total adjustments to net current assets as per balance sheet</b>		<b>(33,042,264)</b>	<b>(35,834,894)</b>
<b>Net current assets used in the Rate Setting Statement</b>			
Total current assets		45,377,032	47,622,077
Less: Total current liabilities		(10,190,542)	(7,440,683)
Less: Total adjustments to net current assets		(33,042,264)	(35,834,894)
<b>Net current assets used in the Rate Setting Statement</b>		<b>2,144,226</b>	<b>4,346,500</b>

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 24. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - Interest rate	Long term borrowings at variable rates	Sensitivity analysis	Utilise fixed interest rate borrowings
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the CEO under policies approved by the Council. The CEO through Management identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

### (a) Interest rate risk

#### Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
<b>2019</b>					
Cash and cash equivalents	2.39%	42,169,411	0	42,169,411	0
<b>2018</b>					
Cash and cash equivalents	2.23%	45,133,347	0	45,133,347	0

#### Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	421,694	451,333

\* Holding all other variables constant

#### Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 14(b).

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

**Trade Receivables**

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

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

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

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. Expected credit loss was forecasted on 30 June 2019 to the extent of unpaid rates where the associated properties cannot be readily disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
<b>30 June 2019</b>					
Rates receivable					
Expected credit loss	2.00%	5.00%	8.00%	10.00%	
Gross carrying amount	436,104	209,417	139,138	132,418	917,077
Loss allowance	8,722	10,471	11,131	105,668	135,992
<b>01 July 2018</b>					
Rates receivable					
Expected credit loss	2.00%	5.00%	8.00%	10.00%	
Gross carrying amount	313,250	209,417	139,138	132,418	794,223
Loss allowance	6,265	10,471	11,131	78,809	106,676

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
<b>30 June 2019</b>					
Sundry Receivables					
Expected credit loss	2.00%	5.00%	8.00%	10.00%	
Gross carrying amount	538,045	208,559	27,227	109,462	883,293
Loss allowance	10,761	10,428	2,178	59,361	82,728
<b>01 July 2018</b>					
Sundry Receivables					
Expected credit loss	2.00%	5.00%	8.00%	15.00%	
Gross carrying amount	604,763	205,207	19,725	74,034	903,729
Loss allowance	1,005	10,260	1,578	11,105	23,948

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 14(d).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<b>2019</b>					
Payables	7,495,460	0	0	7,495,460	7,495,460
Borrowings	836,251	1,920,356	936,850	3,693,457	3,399,412
	8,331,711	1,920,356	936,850	11,188,917	10,894,872
<b>2018</b>					
Payables	4,606,710	0	0	4,606,710	4,606,710
Borrowings	712,581	1,819,755	0	2,532,336	2,319,238
	5,319,291	1,819,755	0	7,139,046	6,925,948

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 25. TRUST FUNDS

In previous years, bonds and deposits were held as trust monies. They are now included in Restricted Cash at Note 3 and shown as a current liability at Note 13.

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

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$	\$	\$
Footpath Damage Deposits	32,276	108	0	(32,384)	0
Library Transient Borrower Deposits	69	0	0	(69)	0
Civic Centre Takings	3,654	26,356	(6,598)	(19,977)	3,435
Other General Purpose Deposits	8,493	127	0	(8,620)	0
BCITF Collection & Refund Deposits	819	3,703	(4,518)	(4)	0
Town Planning Related Bond Deposits	106,207	354	(4,124)	0	102,437
Cemetery Plot Reservation Deposits	35,794	4,153	0	(39,947)	0
Recreation Facility use Bond Deposits	49,295	77,895	(84,173)	(43,017)	0
Road & Footpath Facilities Bond Deposits	506,946	1,691	0	(508,637)	0
Capital Works Bond Deposits	3,060	10	0	(3,070)	0
Cash In Lieu Of Public Open Space	99,876	333	0	0	100,209
Bank Guarantee Deposits Received	46,431	100	0	(46,531)	0
BRB Levy	1,688	36,008	(12,586)	(10,274)	14,836
Unclaimed Monies	19,583	68	(17,491)	0	2,160
Contract Bonds & Retentions	0	55	(55)	0	0
Staff Rental Bonds	47,094	21,520	(23,892)	(44,532)	190
Key Deposits	2,545	508	0	(3,053)	0
Chinatown Revitalisation DRD Grant	4,017,955	32,766	(3,245,000)	0	805,721
	4,981,785	205,755	(3,398,437)	(760,115)	1,028,988

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

### AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies. However, there were no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	01 July 2018
		\$
<b>Assets</b>		
Trade receivables	(a),(b)	0
<b>Total Assets</b>		0
<b>Total adjustments on Equity</b>		
Accumulated surplus/(deficit)	(a),(b)	0
		0

The nature of these adjustments are described below:

#### (a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

- The Shire did not designate any financial assets at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value	AASB 9 category amortised cost	Fair value through OCI	Fair value through P/L
	\$	\$	\$	\$
<b>Loans and receivables</b>				
Trade receivables	1,567,328	1,567,328	0	0
	1,567,328	1,567,328	0	0

### (b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	130,624	0	130,624
	130,624	0	130,624

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

### (a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments are expected to be made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

		AASB 118 carrying amount		AASB 15 carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
<b>Contract liabilities - current</b>				
Unspent grants, contributions and reimbursements		0	857,367	857,367
Developer contributions		0	1,232,907	1,232,907
<b>Contract liabilities non-current</b>				
Developer contributions		0	325,635	325,635
Cash in lieu of parking		0	218,755	218,755
Adjustment to retained surplus from adoption of AASB 15	27(d)	0	(2,634,664)	(2,634,664)

### (b) Leases

The Shire adopted AASB 16 prospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases prospectively, with any cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will not recognise a right-of-use asset in relation to leases previously classified as operating leases under AASB 117 as all leases have a term of less than 12 months. Therefore the net impact on retained earnings on 1 July 2019 will be \$nil.

On adoption of AASB 16 *Leases* (issued February 2016), for leases which had previously been classified as 'operating leases' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

## SHIRE OF BROOME

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

## (c) Income For Not-For-Profit Entities

The Shire will adopt AASB 1058 *Income for Not-for-Profit Entities* (issued December 2016) on 1 July 2019 which will not result in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire will not adopt the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 no change will occur to the following financial statement line items by application of AASB 1058 as compared to AASB 1004 Contributions before the change:

	AASB 1004 carrying amount		AASB 1058 carrying amount	
	Note	30 June 2019	Reclassification	01 July 2019
Trade and other payables		\$ 7,495,460	\$ 0	\$ 7,495,460

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. In accordance with the Shire's current accounting policies, prepaid rates have been recognised as a liability as at 30 June 2019. Therefore, the initial application of AASB 1058 Income for Not-for-Profit Entities on 1 July 2019 will not have an impact on the recognition and classification of prepaid rates.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

Volunteer Services in relation to Volunteer Fire Services will not be recognised in revenue and expenditure as the fair value of the services can't be reliably estimated.

## (d) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			127,524,101
Adjustment to retained surplus from adoption of AASB 15	27(a)	(2,634,664)	
Adjustment to retained surplus from adoption of AASB 16	27(b)	0	
Adjustment to retained surplus from adoption of AASB 1058	27(c)	0	(2,634,664)
Retained surplus - 01 July 2019			124,889,437

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

## 29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<b>GOVERNANCE</b> To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services to members of council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
<b>GENERAL PURPOSE FUNDING</b> To collect revenue to allow provision of services.	Rates, general purpose government grants and interest revenue.
<b>LAW, ORDER, PUBLIC SAFETY</b> To provide services to help ensure a safer and environmentally conscious community.	Supervision of various by-laws, fire prevention, emergency services and animal control.
<b>HEALTH</b> To provide an operational framework for environmental and community health.	Food quality, eating house inspection, pest control and child health clinics.
<b>EDUCATION AND WELFARE</b> To provide services to disadvantaged persons, the elderly, children and youth.	Facilities for senior citizens aged care, infant, day care centres, pre-school; assistance to play group and other community services and development activities.
<b>HOUSING</b> To provide and maintain staff housing.	Provision of staff housing.
<b>COMMUNITY AMENITIES</b> To provide services required by the community.	Rubbish collection services, tip operation, administration of the town planning scheme, maintenance of cemeteries, storm water drainage maintenance, sanitation maintenance and environmental protection.
<b>RECREATION AND CULTURE</b> To establish and effectively manage infrastructure and resource which will help the social being of the community.	Operation/maintenance of halls, Broome Recreation and Aquatic Centre (BRAC), various parks and reserves, beaches, library, museum and other cultural activities.
<b>TRANSPORT</b> To provide safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths and street lighting.
<b>ECONOMIC SERVICES</b> To help promote the Council's economic well being.	The regulation and provision of tourism facilities, area promotion and building control.
<b>OTHER PROPERTY AND SERVICES</b> To monitor and control Council's overheads operating accounts.	Private works and provision of unclassified civic building facilities. General Administration support for Council's operations, allocated to other functions. Engineering, works and parks and gardens management, allocated to construction and maintenance jobs. Plant and depot operation and maintenance, allocated to construction and maintenance jobs.

SHIRE OF BROOME  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2019

### 30. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	1.12	1.64	1.61
Asset consumption ratio	0.86	0.88	0.71
Asset renewal funding ratio	1.05	1.37	1.17
Asset sustainability ratio	1.50	0.22	0.66
Debt service cover ratio	8.63	11.86	8.50
Operating surplus ratio	(0.11)	(0.13)	(0.12)
Own source revenue coverage ratio	0.82	0.81	0.78

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

ATTACHMENT 3 - 2018/19 Originally Budgeted Carry Over to 2019/20

30/06/2019

Expenditure

Income

Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Budgeted Carry Over Expenditure(\$)	Actual carryover Exp	Adjusted Budget Amount 18/19	Funding Source	Non Muni Funded Income Carryover (\$)	Actual carryover Inc	Adjusted Budget Amount 17/18	Comments
Executive													
ES7 - Special Projects Co-ordinator													
1367301		Grants & Contributions Received - Op Inc - Economic Services Special Projects	(82,739)	(71,406)	(50,000)				BBRF	(32,739)	(32,739)		Building Better Region Funds Discovery Festival - Grants \$32,739 to be received in FY 19/20 reimbursing expenses made in May 2019
108001		New Refuse Site Exp - Op Exp - Regional Resource Recovery Park	175,000	147,156	90,427	84,573	27,844	(56,729)	Fr Reserve Acc 101995				New Refuse Site (Exp 108001) ****CARRY-OVER: PROJECT DIS181204 - New Refuse Site transfer from Reserve to 108001
101995		Transfer from Regional Resource Recovery Reserve - Cap Inc - Reg Res Recov	(245,000)	(147,156)	(160,427)			-		(84,573)	(84,573)		New Refuse Site (Exp 108001) ****CARRY-OVER: PROJECT DIS181204 - New Refuse Site transfer from Reserve to 108001
Total Proposed Carry Over - Executive						84,573	27,844	(56,729)			(117,312)	(117,312)	0
Corporate Services													
CS1 - Director Corporate Services													
142232		LGIS Insurance Funded Expenses (Inc in 142293) - Op Exp - Corp Gov	184,106	4,466	3,059	190,234	179,640	(10,594)	MUNI				2017-18 Remaining budget for various Risk Management initiatives as per Risk Improvement Plan plus additional income \$9,187 from LGIS in FY18/19 carry over to FY 19/20
Total Proposed Carry Over - Corporate Services						190,234	179,640	(10,594)			0	0	0
Infrastructure													
ES8 - Waste Coordinator													
101545	101558	Buckleys Rd Closure Upgrade (was Oper 101302) - Cap Exp - San Gen Refuse	70,900	3,803	3,590	67,340	67,097	(243)	Fr Reserve 101525				PROJECT DIS190202 - Buckley's Rd closure upgrade \$67,340 (101558)
101525		Transfer from reserve site reserve - sanitation unit Refuse	(551,400)	(360,568)	(484,060)					(67,340)	(67,097)	243	PROJECT DIS190202 - Buckley's Rd closure upgrade \$67,340 (101558)
ES1 - Director Infrastructure													
1181405		Town Beach Redevelopment - Greenspace & Waterpark - Cap Exp	4,447,865	560,605	356,940	4,090,925	3,887,280	(203,645)	Grants + Reserve				PRJ1: Town Beach Greenspace funded by 113403 \$2,620,396.19 - Greenspace & Waterpark \$2.8M LotteryWest, \$50K Safer Communities Grant - Pump Track Lighting \$205,340 RFR budget - Catalina Boat Ramp Trailer Park \$50K Lottery West - Youth Precinct Mountain Bike Walking Running Trails \$184,045 - From \$4.5M Revetment Wall Grant Funding \$2,620,396.19 - Greenspace & Waterpark \$2.8M LotteryWest
113403		Grants - Non Op - Cap Inc - Other Rec & Sport	(7,808,067)	(5,104,603)	(4,698,284)					(3,109,783)	(2,703,464)	406,319	****CARRY-OVER PRJ2: Town Beach Seawall 15th August 2018 OMC approved additional \$268,000 to be allocated from Public Open Space Reserve (113489) account. Unspent \$226,712 Carry over
1181401		Town Beach Redevelopment - Other Infra New - Cap Exp	4,726,712	4,472,394	4,500,000	226,712	254,318	27,606	Grants + Reserve +				****CARRY-OVER increased cost of the following option agreed by Council: New pump house and plant room • New splashpad surface in existing water play space • Repaint and re-jet existing water features • New water play space behind the existing water play space. Expenses in account 181405
113489		Transfer From POS Reserve - Other Rec & S	(518,000)	(268,000)	(250,000)					(268,000)	(250,000)	18,000	****CARRY-OVER PRJ7: TB Ablution Block (Inc AC 113371)
1181402		Town Beach Redevelopment - Fishing Platform & Amenities - Other Infra New - Cap Exp	302,546	14,780	50,000	252,546	287,766	35,220	RFR				****CARRY-OVER RFR 100% Funded, TB Ablution Block (Exp AC 1181402)
113371		Royalties For Regions Loc Govt. Non Op Grant - Op Inc - Other Recreation & Sport	(302,546)	(14,780)	-				RFR	(302,546)	(287,766)	14,780	Replacement of Asset 413 for \$285,000
101510		San Gen Refuse - Cap Exp - San Gen Refuse	335,000	39,445	50,000	285,000	295,555	10,555	Reserve				Sale of Plant Asset 413 for \$64,000
101500		Transfer From Site Reserve - Cap Exp - Sanitation Unit Refuse	(78,000)	(15,904)	(14,000)				Reserve	(64,000)	-	64,000	Transfer from Sanitation Reserve \$221K to cover Asset 413 Replacement
101525		Transfer From Reserve Site Reserve - Sanitation Unit Refuse	(551,400)	(360,568)	(330,400)					(221,000)	-	221,000	Purchasing Asset Spreader for \$60,000, (NO Trade in Asset)
143621		Vehicle & Plant New - Cap Exp - P&G Operations	60,000	-	0	60,000	60,000	0	MUNI				

## ATTACHMENT 3 - 2018/19 Originally Budgeted Carry Over to 2019/20

30/06/2019			Expenditure						Income				
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Budgeted Carry Over Expenditure(\$)	Actual carryover Exp	Adjusted Budget Amount 18/19	Funding Source	Non Muni Funded Income Carryover (\$)	Actual carryover Inc	Adjusted Budget Amount 17/18	Comments
ESS - Works Coordinator													
104270	104299	Short St-Paspaley Camarvon Street New Drainage Const - Cap Exp	677,532	30,357	56,483		621,049	647,175	26,126	Reserve			****CARRY-OVER PRJ4: Hunter Street Carry Over Drainage related to Clowen Revit Project - Funded by \$300K Muni, \$321,049 reserve funding (AC 104480)
104480		Transfer From Drainage Reserve - Urban Stormwater Drainage - Cap Inc	(590,135)	(224,320)	-					Reserve	(590,135)	(365,815)	224,320 **** CARRY-OVER: \$35,814.88 reserve transfer for Drainage related to Clowen Revit Project ****
125000	125015	Male Oval New Carpark Const - Cap Exp	317,000	-	-	317,000	317,000		-	Reserve			****CARRY-OVER PRJ4: Short Street & Male Oval Carpark \$267K Reserve Funded AC 125490 \$50K Muni Fund
125490		Transfer From Carpark Reserve - Car Park Construction	(267,000)	-	0					Reserve	(267,000)	(267,000)	****CARRY-OVER: \$267K from unallocated carpark reserve to fund Male Oval new carpark. (expense account 125015)
125140	125222	Hunter Street - Footpath Construction	213,450	77,350	100,000		131,000	136,100	5,100	MUNI			****CARRY-OVER PRJ 20 Hunter St Footpath 100% Muni Funded
121100	121113	Hamensley St Upgrade Construction - Cap Exp	821,135	801,691	680,000		217,501	19,444	(198,457)	Fr Reserve Acc 121980 + MUNI + RRG			****CARRY-OVER Hamensley Street Extension Construction , Road Reserve \$64,920 (Inc AC 121980), Muni \$152,981
121980		Transfer From Road Reserve Road Construction - Cap Inc	(1,835,358)	(1,835,358)	(1,770,438)					Fr Reserve Acc 121980 + MUNI + RRG	(64,920)	-	64,920 ****CARRY-OVER Hamensley Street Extension Construction , Road Reserve \$64,920 (Exp AC 121113), Muni \$152,981
141271	141331	Morrell Park Road Maintenance Op Exp - Private Works	3,800	9			21,697	3,791	(17,906)	Fr Reserve Acc 141980			Morrell Park Maintenance as per MOU
141980		Transfer From Restricted Cash Reserve Private Works Rd Const - Cap Inc	(21,697)	(6,209)							(21,697)	(10,000)	11,697 Morrell Park Maintenance as per MOU
ES3 - Manager Works													
117455	117456	BRAC Ovals Renewal Infra Works - Cap Exp - BRAC Ovals	75,560	74,967	30,104		45,456	593	(44,863)	MUNI			****Carry over Project - Globe Renewal - Father McMahon Field, Funding from various P&G maintenance MUNI savings - Advised from Casey & Andrew G
123000	102204	2017-2018 WANDRRA Events - Works Maint	4,162,555	3,277,086	4,112,555		50,000	885,509	835,509	GRANTS			PRJ 19****WANDRRA AGRN 793
125100	BUSN002	Old Broome Estate - New Bus bay Construction - Cap Exp	31,278	49,629	10,000		21,278	-	(21,278)	MUNI			PRJ6: Robinson St Bus Bay
125140	125192	Palmer Road - Footpath Construction	20,300	21,865			20,300	-	(20,300)	Fr Reserve			PRJ 12****PROJECT - DIS190214 - Palmer Rd Estate Subdivision - Whole Estate - - Concrete Pathway, (\$20,300); 125960 Transfer fr Reserve
125960		Transfer From Footpath Reserve - Footpath Construction	(504,076)	(492,958)	(483,776)					Fr Reserve	(20,300)	-	20,300 PRJ 12****PROJECT - DIS190214 - Palmer Rd Estate Subdivision - Whole Estate - - Concrete Pathway, (\$20,300); 125960 Transfer fr Reserve
125140	125269	Roebuck Estate Subdivision - Various Stages	40,300	30,779	-		40,300	9,521	(30,779)	Fr Reserve			PRJ 12****PROJECT - DIS190214 - Roebuck Estate Subdivision - Whole Estate - Concrete Pathway, 125960 Transfer fr Reserve
125960		Transfer from Footpath Reserve - Footpath Construction	(504,076)	(492,958)	(463,776)					Fr Reserve	(40,300)	-	40,300 PRJ 12****PROJECT - DIS190214 - Roebuck Estate Subdivision - Whole Estate - Concrete Pathway, (\$20,300); 125960 Transfer fr Reserve
125140	125277	Broome North Footpath New Const - Capex	198,775	150,567	150,567		42,567	48,208	5,641	Fr Reserve			PRJ 12****PROJECT - DIS190214 - Broome North Subdivision - Whole Estate - Concrete Pathway, (\$52,833); 125960 Transfer fr Reserve
125960		Transfer from Footpath Reserve - Footpath Construction	(504,076)	(492,958)	(461,559)					Fr Reserve	(42,567)	-	42,567 Subdivisional Footpaths: Broome North Sub \$198,775 (125277);
125140	125279	Six Seasons Estate - Januburu Subdivision - Various Stages	14,250	1,207	-		14,250	13,043	(1,207)	Fr Reserve			PRJ 12****PROJECT - DIS190214 - Six Seasons Estate - Januburu Subdivision - Whole Estate - - Concrete Pathway, (\$14,250); 125960 Transfer fr Reserve
125960		Transfer From Footpath Reserve - Footpath Construction	(504,076)	(492,958)	(489,828)					Fr Reserve	(14,250)	(6,043)	8,207 PRJ 12****PROJECT - DIS190214 - Six Seasons Estate - Januburu Subdivision - Whole Estate - - Concrete Pathway, (\$14,250); 125960 Transfer fr Reserve
125140	125290	Old Broome Estate Subdivision - Whole Estate - Various Paths	11,931	-	-		11,931	11,931	-	Fr Reserve			PRJ 12****PROJECT - DIS190214 - Old Broome Estate Subdivision - Whole Estate - - Concrete Pathway, (\$5,075); 125960 Transfer fr Reserve
125960		Transfer from Footpath Reserve - Footpath Construction	(504,076)	(492,958)	(482,145)					Fr Reserve	(11,931)	(5,075)	6,856 PRJ 12****PROJECT - DIS190214 - Old Broome Estate Subdivision - Whole Estate - - Concrete Pathway, (\$5,075); 125960 Transfer fr Reserve
125200	STLN002	Broome New Street Light Construction - Cap Exp	150,000	27,500	27,500		122,500	122,500	-	MUNI			****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths. 100% Reserve Funded via acct 125960****
125225	125232	Street Lighting at Various Locations - Renewal	48,204	9,100	2,310		45,894	39,104	(6,790)	MUNI			PRJ15****CARRY-OVER: PROJECT DIS180504 - Short St Lighting renewal, \$45,894 100% Muni funded****
142551		Vehicle & Road Maint renewal (replacement) - Cap	22,000	-	0		22,000	22,000	0	MUNI			Replacement of Asset 17313 for \$22,000
142951		Proceeds from Sale of Assets - Cap Inc - General Administration	(8,000)	-	0					MUNI	(8,000)	(8,000)	0 Sale of Plant Asset 17313 for \$22,000
143601		Proceeds from Sale of Assets - Cap Inc - Parks & Gardens Operations	(53,000)	(23,273)	(11,000)					MUNI	(42,000)	(29,727)	12,273 Sale of Plant Asset 1313 for \$32,000; Sale of Plant Asset 6713 for \$5,000, Asset 16813 for \$30,000
143610		Vehicle & Plant Renewal(Replacement) - Cap Exp - P&G Operations	214,000	79,000	54,000		160,000	135,000	(25,000)	MUNI			Replacement of Asset 1313 for \$100,000; Purchasing Asset 6713 for \$30,000, Asset 16813 for \$30,000
148600		Proceeds from sale of Assets - Cap Inc - Works	(91,000)	(26,818)	(26,000)					MUNI	(65,000)	(64,182)	818 Sale of Plant Asset 6413 & Asset 6313 for \$65,000
148611		Vehicle & Road Maint renewal(replacement) - Cap Exp - Works Ops	293,000	78,603	93,000		200,000	214,397	14,397	MUNI			Replacement of Asset 6413 for \$110,000, Asset 6313 for \$90,000

ATTACHMENT 3 - 2018/19 Originally Budgeted Carry Over to 2019/20

30/06/2019

			Expenditure					Income					
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Budgeted Carry Over Expenditure(\$)	Actual carryover Exp	Adjusted Budget Amount 18/19	Funding Source	Non Muni Funded Income Carryover (\$)	Actual carryover Inc	Adjusted Budget Amount 17/18	Comments
120306		Dep't Premier & Cabinet: Natural Disaster Grant - Cape Leveque Rd	(4,665,540)	(283,040)	(4,112,595)				GRANTS	(552,945)	(4,362,500)	(3,829,555)	***CARRYOVER: 2017/18 WANDRRA Funding works.
PK3 - Parks Coordinator													
113603		Retioulution Control System New Exp - Cap Exp Parks & Ovals	40,500			40,500	40,500	-	Muni				PRJ 13***CARRY OVER*** PROJECT DIS190218 - Weather Station installation and Maxicom software/site details upgrade****
117210	117211	BRAC Ovals - P&G Maint	57,960	66,517	367,518	35,670	-	(35,670)	Muni				PRJ 14***CARRY OVER Top Dressing Repair McMahon Oval***
113561	113677	Town Beach Renewal Works - Infra Cap Exp	9,700		9,807		9,700	9,700	MUNI				PRJ 16***PROJECT - DIS190224: Renewal Infrastructure -Town beach - Shade Structure 100% Muni Funded
113552	113607	Town Beach Reserve Upgrade - Cap Exp - P&G	48,000	6,884		48,000	41,116	(6,884)	MUNI				Town beach Shire works carry over \$48K
ES9 - Manager Engineering													
121101	121552	number of renewals no infra costs - Lupton (was Highgate Rd group infra) Urban no cost funding -	967,849	207,606	300,000	667,849	760,243	92,394	MUNI				PRJ3: Hunter Street
121779		New Pn Inc - Rd Comp	(666,288)	(565,458)	(467,180)				RPG	(159,108)	-	159,108	PRJ3: Hunter Street. No R2R funding carry over. RPG Funding to Hunter St
1181201		Town Levee - Levee maintenance - Cap exp -	71,526	27,632	22,667	48,659	43,894	(4,765)	MUNI				PRJ6: TB Jetty
102210		Levee Rehabilitation & Flood Management Strategy - op exp - urban stormwater drainage	9,500		0	9,500	9,500	0	MUNI				PRJ 17***PROJECT DCD190212 - Luffitz Drainage Survey Proj\$9.5k (100% Muni funded)
PM2 - Asset & Building Coordinator													
142558		Shire office space repairs or renewals - Cap exp - Lorp	92,750	51,617	57,750	35,000	41,133	6,133	MUNI				MUNI Funded. ***PROJECT DIS190210 - Admin building renewal - Alcons
147374		Capex KRO1 Building Renewal - Cap Exp - Office Prop Leased	735,814	487,349	378,814	357,000	248,565	(108,435)	Fr Reserve Acc 147355				***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$619,850. Funded by Building Reserve See Inc Acct 147355***
147355		Transfer From Building Reserve Leased Offices Un Clas	(1,346,690)	(360,503)	(632,690)				Fr Reserve Acc 147355	(357,000)	(248,565)	108,435	***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$619,850. Funded by Building Reserve See Inc Acct 147355***
147375		KRO2 Building Renewal - Cap Exp - Office Prop Leased	610,876	58,094	253,876	357,000	552,782	195,782	Fr Reserve Acc 147355				***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$542K Funded by Building Reserve See Inc Acct 147355***
147355		Transfer From Building Reserve Leased Offices Un Clas	(1,346,690)	(360,503)	(632,690)					(357,000)	(552,782)	(195,782)	***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$542K Funded by Building Reserve See Inc Acct 147355***
Total Proposed Carry Over - Infrastructure						8,686,824	9,224,764	537,941		(6,686,822)	(8,248,016)	(2,561,194)	
Community & Economic Development													
BRAC1 - Manager Sport & Recreation													
113552	113620	Haynes Oval Floodlighting Upgrade Infra - Capex	12,000	14,412	6,000	6,000	-	(6,000)	MUNI				FACR2: TR0: C Hankinson Haynes Oval sports field lighting management.
117128	117129	Aquatic Infrastructure Renewal - Cap Exp - BRAC Aquatic	61,600	30,000	30,000	31,600	31,600	-	MUNI				***PROJECT DCD190203 - BRAC Aquatic Retractable Shade Sail replacement 100% Muni funded
1181420	YBRAC01	Youth Bike Recreation Area - New Construction - Cap Exp	526,300	18,940	220,300	306,000	507,360	201,360	MUNI				Tracks and trails - \$256,000 (muni \$190k, Lottery Grants \$50k, COAF 113403 Contri \$26K) \$50K funded from Federal Grants (Crime Prevention Grant) Inc COAF 113403
LS1 - Coordinator Library													
115280		Library program expenses - Cap exp - Library (income in 115480)	12,956	7,400	7,041	5,915	5,466	(449)	Grant CBW				***Grants Carry over the Library program***
115480		Grant Program Income - Op Inc - Library (Expense in 115280)	(1,928)	(1,928)	(5,915)				Grant CBW	(5,915)	(5,466)	449	***Grants Carry over the Library program***
CM52 - Manager Community Development													
22173		EDL sponsorship programme Reserve Funded - Cap Exp - Other Governance	130,895	42,588	26,090	104,805	88,307	(16,498)	Fr Reserve Acc 23593				**** EDL annual sponsorship program as per MOU. Max \$80,000 (Exp in Acct 22173) ****CARRY-OVER: Remainder of 2018-19 Annual EDL Sponsorship program funded from EDL reserve. Exp 22173, Inc 23593 \$10K****
23593		Transfer From EDL Sponsorship Reserve - Cap Inc - Other Gov	(130,895)	(42,588)	(26,090)				Fr Reserve Acc 23593	(104,805)	(88,307)	16,498	**** EDL annual sponsorship program as per MOU. Max \$80,000 (Exp in Acct 22173) ****CARRY-OVER: Remainder of 2018-19 Annual EDL Sponsorship program funded from EDL reserve. Exp 22173, Inc 23593 \$10K****
1367210		Economic Development Program Expense - Op Exp - Other Economic Services	223,406	266,180	216,112	7,294	-	(7,294)	Fr Reserve Acc 1367525				****CARRY-OVER: Growth Plan finalisation and seed funding for implementation. 100% Restricted Cash Exp Acct 1367210****
1367525		Transfer From Restricted Cash Reserve - Other Economic Services	(86,406)	(86,406)	(79,112)				Fr Reserve Acc 1367525	(7,294)	-	7,294	****CARRY-OVER: Growth Plan finalisation and seed funding for implementation. 100% Restricted Cash Exp Acct 1367210****

ATTACHMENT 3 - 2018/19 Originally Budgeted Carry Over to 2019/20

30/06/2019			Expenditure					Income					
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Budgeted Carry Over Expenditure(\$)	Actual carryover Exp	Adjusted Budget Amount 18/19	Funding Source	Non Muni Funded Income Carryover (\$)	Actual carryover Inc	Adjusted Budget Amount 17/18	Comments
BS1 - Manager Planning & Building Services													
53172		VBFB Building New Const - Cap Exp - Volunteer Bush Fire Brigade	1,200,000	1,576	1,576	1,198,424	1,198,424	0					****CARRY-OVER: 5 Bay Shed for VBFB (Grant Funded see 53390) Previously carried over in 2016-17****
53360		Capital Grant Funding For Plant/Equip/ Buildings - Cap Inc - Volunteer Bush Fire Brigade	(1,200,000)	-	-					(1,200,000)	(1,200,000)		****CARRY-OVER: 5 Bay Shed for VBFB (Grant Funded see 53390) Previously carried over in 2016-17****
Total Proposed Carry Over - C&ED						1,660,038	1,831,157	171,119		(1,318,014)	(1,293,773)	24,241	
TOTAL PROPOSED CARRYOVER EXP/(INC)						10,621,669	11,263,406	641,737		(8,122,148)	(10,659,101)	(2,536,953)	
Net MUNI carryover						2,499,521		(1,895,216)					
19/20 FAGS grants in advance in 18/19						1,507,238	1,507,238		Add FAGS back in				
Total Muni Carryover						4,006,759							

ATTACHMENT 3 - 2018/19 Budget Carried Over to 2019/20

30/06/2019			Expenditure			Income			
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Actual carryover Exp	Funding Source	Actual carryover Inc	Comments
Executive									
ES7 - Special Projects Co-ordinator									
136723		Economic Development Program Expense - Place Making Officer Activation -Op Exp - Other Economic Services	0	-		9,272	RED Grant		RED Grants received on FY 18/19. Committed payment in FY 19/20 to be carried over as per THP.
1367301		Grants & Contributions Received - Op Inc - Economic Services Special Projects	(82,739)	(71,406)				(32,739)	\$32,739 of BBRF to be received in 19/20 but intended to offset Chinatown Discovery Festival expenses incurred in 18/19.
Total Proposed Carry Over - Executive						9,272		(32,739)	

**Corporate Services**

<b>CS1 - Director Corporate Services</b>									
405370		Kimberley Zone - Kimberley Volunteer Strategy Grant	(65,000)	-			KRCG	(65,000)	****Carry over Kimberley Volunteering Strategy Grants income \$65K advised from James W
405234		Kimberley Zone - Volunteering Strategy - Op Exp	65,000	29,000		36,000	KRCG		****Carry over Kimberley Zone Volunteering Strategy upspent upon advised from James W
405237		Kimberley Zone - ICT & Office 365 Improvements - On Exp	10,000	-		10,000	KRCG		****Carry over ICT & Office 365 Improvement Budget to FY19/20 \$10K advised from James W
142231		Consultants Corp Serv - Op Exp - Corp Gov Support	121,000	38,305		30,500	MUNI		****Carry-over Committed Payment for 50% final payment \$30,500 advise from Jame W
<b>Total Proposed Carry Over - Corporate Services</b>						<b>226,304</b>		<b>(65,000)</b>	
<b>CS6 - Manager Information Technology</b>									
146122		Software >\$5000 Cap Exp - IT	161,000	52,295		69,000	MUNI		****Carry-over Committed Payment for Software Portfolio Capital Project \$69K advise from Jame W
146120		Equip & H/Ware > \$5000 Cap Exp - IT	280,550	251,136		4,954	SCG		****Carry-over PRJ Chinatown WIFI Safer Community Grants Committed Payment \$4,954
1367405	1367413	Chinatown Public WiFi Project - Other Infra New - On Exp	120,000	60,150		59,850	MUNI		****Carry-over Chinatown Revitalisation Public Wi-Fi - \$59,850****
146102		License Maint and Support - IT Exp	522,300	440,286		16,000	MUNI		****Carry-over Committed Payment \$16K for Hosted Backup advised from Pat D

**Infrastructure**

<b>ES1 - Director Infrastructure</b>									
125215	125807	Kerr St & Stracke Cove Lighting Upgrade (Safer Comm) - Cap Exp	130,878	125,579		5,299	SCG		****Carry-over PRJ Safer Community Grants Lighting Upgrade upspent funding \$5,299
107550	107556	Broome Cemetery New Infrastructure Cap Exp	108,387	98,227		27,514	SCG		****Carry-over PRJ Safer Community Grants Lighting Upgrade upspent funding \$ 27,514
1367404	1367407	Dampier St Upgrade - Cap Exp	3,661,140	3,549,168		111,972	??		****Carry-Over PRJ Dampier St Upgrade Committed Payment PO#90525 \$482,422
1367404	1367408	Camaron St Upgrade - Cap Ex	4,996,182	4,908,206		87,976	??		****Carry-Over PRJ Camaron St Upgrade Committed payment PO#90525 \$530,713

**ES9 - Manager Engineering**

ATTACHMENT 3 - 2018/19 Budget Carried Over to 2019/20

30/06/2019			Expenditure			Income			
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Actual carryover Exp	Funding Source	Actual carryover Inc	Comments
122430		Natural Disaster Grant - Flood Damage Repairs	(970,000)	-				(970,000)	Natural Disaster Grant. Exp Acc # 122416 & #122415
ES9 - Manager Engineering									
1254421		Access & Inclusion Improvements New Infra - Cap Exp	20,000	-		20,000	MUNI	****Carry over - PROJECT - DIS190201 - Access and Inclusion Upgrades as per the 2014 Access and Inclusion Audit (\$20,000), 100% Muni funded	
1223481	FPUP001	Various FootPath Upgrade - Cap Exp	55,100	8,763		46,337	MUNI	*****PROJECT - DIS190201 - Access and Inclusion Upgrades as per the 2014 Access and Inclusion Audit (\$20,000), 100% Muni funded,Reduced cost \$27K (transfer to 125281) due to design changes Total Funding \$55.1K	
PK3 - Parks Coordinator									
113551	113787	Solway Park renewal Infra - Cap Exp - Pks & Ovals	27,200	24,728		8,500	MUNI	****Carry over - PRJ DOS190224 Playground Renew \$8.5K committed spending on combination unit & new surrounds extra shade sail.	
PM2 - Asset & Building Coordinator									
132310	132310	Roebuck Bay CP - Planned Maint & Minor Works - Op Exp	33,820	15,608		18,212	MUNI	***Carry over - PROJECT DIS190226 - Roebuck Bay Caravan Park Tree Reduction.	
147100		Building Capital > \$5k - Cap Exp - Unclassified General	774,000	702,426		71,574	MUNI	****Carry Over - PROJECT DIS190206 - General Building Renewal- committed payment \$71,574	
Total Proposed Carry Over - Infrastructure						397,384		(970,000)	

Community & Economic Development

<b>HS1 - Manager Health &amp; Ranger Services</b>									
508216		Bush Fire Mitigation - Op Exp - Fire Prevention	40,053	34,104	-	5,949	Water Corp		*** Carry over unspent grants from FY 18/19 Cost associated to the income generated from Water Corp private works for prescribed burn. Increase by \$25,053 (income in 51405).
	53271	Cable Beach Vehicle Ramp Signage Upgrade - Cap Exp - Oth Law Ord & PS	-	-					\$17.5K Budget has been returned back on FACR 3
	53270	Fire Danger Rating Signs: Old Broome Rd/Cape Leveque Rd (Electronic Board)	-	-					\$14.3K Budget has been returned back on FACR 3
<b>CMS2 - Manager Community Development</b>									
116125	116126	Broome Entry Statement Signage New Const - Cap Exp - Other Cult	74,089	-	-	74,089	MUNI		****CARRY-OVER: PROJECT - Broome Entry Statement (carried over from 2016-17). \$74,089 100% Muni Funded.****
132050		Broome Visitor Centre Complex- Op Exp - Tourism & Area Promotion	75,640	31,740	-	44,400	MUNI		****CARRYOVER Broome Visitor Centre Operational Review
116085		Heritage Projects - Op Exp - Other Culture	60,000	-		60,000	MUNI		***PROJECT DCD190218 - Arts, Culture and Heritage Strategy \$60k (100% Muni funded)

ATTACHMENT 3 - 2018/19 Budget Carried Over to 2019/20

30/06/2019			Expenditure			Income			
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	Total Forecast Exp by 30/6/19	Actual carryover Exp	Funding Source	Actual carryover Inc	Comments
22172		Community Sponsorship Program - Op Exp - Other Governance	96,153	58,871		37,282	MUNI	****CARRY-OVER: MUNI Funded Community Sponsorship Program from prior years \$37,282	
1367405	1367412	Public Art (funded from Reserve) - Other Infra New - Cap Ex	306,368	261,045		16,693	Reserve	****Carry over - Project Chinatown Public Art Committed Payment or PO \$16,693	
23040		Youth Development Programme & Working Group - Op Exp - Other Governance	30,545	10,311		5,000	Grants	****Carry over - Dept Primary Industries & Regional Development - Kimberley Development \$5000 - Midnight Basketball grants/contributions. Program did not run in 17-18. Started again in July 2018 (Inc A/C 23050 in FY 17/18)	
Total Proposed Carry Over - C&ED						243,413		0	
TOTAL PROPOSED CARRYOVER EXP/(INC)						876,374		(1,067,739)	
Net MUNI carryover									
19/20 FAGS grants in advance in 18/19									
Total Muni Carryover									



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## Audit Concluding Memorandum

**Shire of Broome**

**Year Ended 30 June 2019**

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## Contents

1.	Executive Summary .....	3
2.	Key Audit Risks and Focus Areas.....	5
3.	Summary of Audit Differences .....	9
4.	Internal Controls Relevant to Audit .....	10
5.	Other Key Matters .....	11
	Appendix 1: Recent Regulatory and Technical Developments.....	12

## 1. Executive Summary

<b>Introduction</b>	<p>Moore Stephens has been engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Shire of Broome's (the Shire) annual financial report for the year ended 30 June 2019.</p> <p>The key purpose of this memorandum is to promote effective communication between the auditor and those charged with governance regarding the completion of the current year's audit.</p> <p>We request management and the Audit Committee to review this document to help ensure :</p> <ul style="list-style-type: none"> <li>the Shire concurs with any matters raised, and</li> <li>there are no further significant considerations or matters that could impact the audit and the financial report.</li> </ul> <p>This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Shire arising under our audit contract with the OAG.</p> <p>The contents of this document should not be disclosed to third parties without our prior written consent.</p>
<b>Audit Status and Report</b>	<p>We are pleased to advise that we have substantially completed our audit of the Shire's financial report for the year ended 30 June 2019.</p> <p>We will recommend to OAG to issue an unqualified opinion on the audit of the Shire's financial report.</p> <p>In addition, we noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:</p> <ul style="list-style-type: none"> <li>There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark and OAG threshold for the past 3 years.</li> </ul>
<b>Key Audit Risks or Focus Areas</b>	<p>We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.</p> <p>We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and meet our audit objectives. Particulars of the key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.</p>
<b>Summary of Audit Differences</b>	<p>We did not identify any non-trivial uncorrected audit differences.</p>
<b>Internal Controls Relevant to Audit</b>	<p>We did not identify any significant deficiencies in internal controls. Any non-significant deficiencies that were noted were included in the formal management letter issued after the interim audit.</p>

## 1. Executive Summary (Continued)

### Other Key Matters

We confirm we have had no issues in relation to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.

We have also provided a brief summary of the new accounting standards that may impact the Shire in the future periods for your due considerations at Appendix 1.

## 2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by regional local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2019. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
<b>PROPERTY, PLANT AND EQUIPMENT INFRASTRUCTURE</b>		
<p>This is a significant industry risk given the material nature of the balance and judgement applied in determining depreciation expense.</p> <p>As at 30 June 2019, the Shire reported a total property, plant and equipment and infrastructure of \$381.7mil.</p>	<p>The following is a broad outline of our approach: <a href="#">Property, Plant and Equipment and Infrastructure</a></p> <ul style="list-style-type: none"> <li>Documented and tested key audit controls around Property, Plant and Equipment and Infrastructure balances.</li> <li>Assessed accounting policies associated with fair value assessments and ensured they are in accordance with accounting standards.</li> <li>Sample testing of asset additions and disposals.</li> <li>Reviewed capitalisation threshold applied for compliance with new \$5,000 threshold required by Local Government (Financial Management) Regulation 17A(5).</li> <li>Reviewed impairment assessments.</li> <li>Reviewed fair value disclosures to ensure they were in accordance with AASB13 requirements.</li> </ul> <p><a href="#">Depreciation and amortisation</a></p> <ul style="list-style-type: none"> <li>Understood and documented depreciation policies relevant to the various asset classes.</li> <li>Documented and tested key audit controls around the calculation of depreciation/amortisation.</li> <li>Performed depreciation recalculations based on our sampling approach.</li> <li>Performed substantive analytical procedures.</li> <li>In addition, given our industry experience, reviewed the determination of applicable depreciation rates.</li> </ul>	<p>Based on work performed, we are satisfied the Shire's fixed assets are fairly stated and disclosed in the 2019 financial report.</p>

## 2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
<b>EMPLOYEE BENEFIT PROVISIONS</b>		
Provisions for annual leave and long service leave involve a degree of management estimation and uncertainty in their calculation in respect of inflation rates, discount factors, timing and probabilities of settlement. There is risk these liabilities may not be captured completely and recognised in accordance with AASB 119: Employee Benefits.	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls. We performed substantive test of detail utilising our sampling methodology as well as year end analytical review to add to the level of audit assurance obtained.</p> <p>We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	Based on work performed, we are satisfied the Shire's employee benefits provisions are fairly stated and disclosed in the 2019 financial report, including the split between amounts expected to be settled in the future.
As at 30 June 2019, the Shire reported a total provision of \$2.4mil.		
<b>MANAGEMENT OVERRIDE OF CONTROLS</b>		
Management is involved in day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> <li>Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud;</li> <li>Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices; and</li> <li>For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets.</li> </ul>	<p>During our interim visit we noted, whilst management require all general journals to be manually authorised and independently reviewed prior to posting, these process controls could be bypassed. However, our sample testing of journals did not identify any erroneous journals. Furthermore, this weakness was subsequently rectified.</p> <p>Based on work performed, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.</p>

## 2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS								
REVENUE										
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"><li>• government grants;</li><li>• rates; and</li><li>• Other fee for service revenue streams.</li></ul> <p>Given the variety of revenue streams, there is a risk that revenue may not be recognised with relevant accounting standards.</p> <p>For the year ended 30 June 2019, the Shire has recognised:</p> <table><tr><td>Rates</td><td>\$22.4mil</td></tr><tr><td>Operating grants, subsidies and contributions</td><td>\$4.0mil</td></tr><tr><td>Non-Operating grants, subsidies and contributions</td><td>\$12.6mil</td></tr><tr><td>Fees and Charges</td><td>\$9.9mil</td></tr></table>	Rates	\$22.4mil	Operating grants, subsidies and contributions	\$4.0mil	Non-Operating grants, subsidies and contributions	\$12.6mil	Fees and Charges	\$9.9mil	<p>Given the nature of local government grants, we substantively tested this revenue to third party documentation and vouched receipt of funds in accordance with our established sampling methodology. We also performed analytical review procedures.</p> <p>With respect to Rates, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls. We performed substantive test of details utilising our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.</p> <p>We also reviewed the design and implementation of controls of all other main sources of revenue.</p> <p>As part of these procedures, we performed cut-off testing to help ensure revenue is correctly recognised and recorded.</p> <p>We considered the impact of AASB 15 on the local government industry and ensured adequate disclosures regarding the impact were made in the financial report.</p> <p>We also considered the nature, complexity and materiality of the revenue transactions in the process of identifying the <a href="#">risk of fraud in revenue</a>.</p>	<p>Based on work performed, we are satisfied the Shire's revenue is fairly stated and disclosed in the 2019 financial report.</p>
Rates	\$22.4mil									
Operating grants, subsidies and contributions	\$4.0mil									
Non-Operating grants, subsidies and contributions	\$12.6mil									
Fees and Charges	\$9.9mil									

## 2. Key Audit Risks and Focus Areas (Continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS						
<b>EXPENDITURE</b>								
<p>In keeping with the industry as a whole, expenditure forms a large part of a local government's operations. This takes the form of both operating and capital.</p> <p>For the year ended 30 June 2019, the Shire has recognised:</p> <table><tr><td>Employee costs</td><td>\$14.8mil</td></tr><tr><td>Materials and contracts</td><td>\$13.2mil</td></tr><tr><td>Depreciation</td><td>\$10.0mil</td></tr></table>	Employee costs	\$14.8mil	Materials and contracts	\$13.2mil	Depreciation	\$10.0mil	<p>For the testing of expenditure, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls.</p> <p>We performed substantive tests of detail based on our sampling methodology as well as year-end analytical review to add to the level of assurance obtained.</p> <p>We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impact the split between operational and capital expenditure.</p> <p>Specific attention was paid to credit cards, particularly in light of history and our experience of the industry. As part of our audit procedures, we reviewed a sample of credit card statements for each credit card holder during the financial year and ensured they were independently reviewed. Furthermore, we picked a sample of transactions from each credit card statement and traced them to tax invoices to ensure the expense was in accordance with the Shire's business operating procedure relating to the "Use of Corporate Credit Cards".</p>	<p>Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2019 financial report.</p>
Employee costs	\$14.8mil							
Materials and contracts	\$13.2mil							
Depreciation	\$10.0mil							
<b>RELATED PARTY DISCLOSURE</b>								
<p>This was a new area of disclosure for local governments commencing for the year ended 30 June 2017.</p>	<p>We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place.</p> <p>Ensured related party transactions are on an arms' length basis.</p>	<p>Based on work performed, we are satisfied that related party transactions are properly disclosed and at arms' length basis.</p>						
<b>SIGNIFICANT ADVERSE TRENDS</b>								
<p>Reporting of any material matters that indicate significant adverse trends in the financial position of the Shire relating to the requirements of Local Government (Audit) Regulation 10(3)(a).</p>	<p>We used the statutory ratios disclosed and compared them against industry benchmarks and previously reported ratios. We also assessing how the ratios impact the operations of the Shire.</p>	<p>Based on work performed, we noted a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark and OAG threshold for the past 3 years.</p>						

### 3. Summary of Audit Differences

We are required by the auditing standards to communicate all differences (other than clearly trivial) that we noted during the audit whether they have been adjusted or not.

The tables below provides a summary of this matter:

Adjusted differences	Effect on net result Increase/(decrease) \$
Re-classification of bonds to restricted cash.	Nil
Re-classification of cash in lieu of public open space to trust funds.	Nil

Unadjusted differences	Effect on net result Increase/(decrease) \$
------------------------	---

There were no unadjusted non-trivial differences arising from our audit.

However, we noted the following trivial unadjusted difference listed below:

Account	Reported balance	Actual balance	Variance
Trust funds	1,028,988	1,008,367	20,621

The unadjusted difference relates to amounts requiring adjusting or further investigation by management.

## 4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We are pleased to advise that we did not note any significant deficiencies in internal controls. Any non-significant deficiencies that were noted were included in the formal management letter issued after the interim audit.

## 5. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit. We also have policies and procedures in place</p> <p>We confirm that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report.</p> <p>We have further considered the safeguards the Moore Stephens Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with the Management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on the confirmation obtained from the Management and work performed we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>
New Accounting Standards for Future Periods	<p>Please refer Appendix 1 of this document.</p>

## Appendix 1: Recent Regulatory and Technical Developments

The AASB has issued a number of new and amended Accounting Standards and Interpretations and there have been amendments to the Local Government (Financial Management) Regulations 1996, that have mandatory application dates for current or future reporting periods, some of which are relevant to the Shire.

The new and amended pronouncements that are relevant to the Shire are set out as follows:

Title	Issued / Complied	Applicable <sup>(1)</sup>	Objective
AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	This Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.
AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant. The Shire has concluded this not to be significant.</p>
AASB 16 Leases	February 2016	1 January 2019	<p>Under this Standard there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges.</p>
AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <li>- Assets received below fair value;</li> <li>- Transfers received to acquire or construct non-financial assets;</li> <li>- Grants received;</li> <li>- Prepaid rates;</li> <li>- Leases entered into at below market rates; and</li> <li>- Volunteer services.</li> </ul>

## Appendix 1: Recent Regulatory and Technical Developments (Continued)

Title	Issued / Complied	Applicable <sup>(1)</sup>	Objective
Local Government (Financial Management) Regulation 17A(5)	June 2018	July 2018	This amendment states that from 1 July 2018, assets acquired for less than \$5,000 must be excluded from the fixed asset register.
Local Government (Financial Management) Regulation 17A(4)(a)(b)	June 2018	July 2018	This amendment states that from 27 June 2018, the revaluation of assets will only be required when the local government is of the opinion that the fair value of the asset is likely to be materially different from its carry amount; and in any event, within a period of at least 3 years but not more than 5 years after the day on which the asset was last valued or revalued.

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

The impact of these standards and legislative changes, if any, on the Shire's financial statements in the current and future periods has been assessed by management and disclosed in the 2019 annual financial report.

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<b>6. MEETING CLOSURE</b>
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