



## **VISION OF COUNCIL**

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

# **AGENDA**

**BUSINESS OF AN URGENT NATURE**

**FOR THE**

**ORDINARY MEETING OF COUNCIL**

**25 OCTOBER 2018**

## **OUR 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."***

## **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**

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*Should you require this document in an alternative format please contact us.*

**SHIRE OF BROOME**  
**ORDINARY MEETING OF COUNCIL**  
**THURSDAY 25 OCTOBER 2018**  
**INDEX – BUSINESS OF AN URGENT NATURE**

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<b>8. MATTERS FOR WHICH THE MEETING MAY BE CLOSED</b>
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UNDER SECTION 5.23 (2)(D) OF THE LOCAL GOVERNMENT ACT 1995 COUNCIL MAY RESOLVE TO MOVE THE MEETING BEHIND CLOSED DOORS.

## 12. BUSINESS OF AN URGENT NATURE

### 12.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING 22 OCTOBER 2018

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:	16 October 2018

**SUMMARY:** This report presents to Council the minutes of the Audit and Risk Committee (the Committee) Meeting held 22 October 2018 for receipt and endorsement of the Committee's recommendation to adopt the 2017/2018 Annual Financial Report, the Audit and Management reports and the report prepared by the Chief Executive Officer for the financial year ended 30 June 2018. Additionally, Council is requested to endorse the proposed allocation of the net operating surplus from 2017/2018.

### BACKGROUND

#### Previous Considerations

Nil

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 2017/2018 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 Wednesday 14 September 2018, which was attended by members of the Committee.

The signed Auditor's Report was received dated 10 October 2018. The Committee meeting scheduled for the 16 October 2018 was adjourned due to a lack of quorum until 22 October 2018. On 22 October 2018 the Committee met 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;
- Ensure that appropriate action is taken in respect of those matters;
- Review the reports prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor; and
- Recommend the audited financial 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 2017/2018 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. As a background, the 2017/2018 Annual Financial Report discloses the results of the sixth year of implementation of the legislated Integrated Planning and Reporting Framework. The plans contained in the framework provide funding strategies to ensure Council can meet its adopted strategic objectives, while maintaining and forecasting impacts on the Shire's future financial sustainability.

The Strategic Community Plan 2017-2027 (**SCP**) was adopted at the December 2016 Ordinary Meeting of Council (**OMC**) and the Corporate Business Plan 2018-2022 (**CBP**) was adopted by Council at the December 2017 OMC. A revised 2018-2033 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 2018/2019 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 2018/2019 annual budget process. The AMP is being reviewed continuously as part of the mandated integrated planning framework review to inform the 2019/2020 annual budget process.

Council is requested to adopt the annual financial report to Council.

## **COMMENT**

### **Chief Executive Officer's Report**

Following is the CEO's report to Council 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 once again provided comment on the Shire's ratios similar to that in 2016/17, in particular the Asset Sustainability Ratio and the impact of the revaluation of infrastructure assets conducted during the year ended 30 June 2015 on depreciation recognised as at 30 June 2018. The Auditor noted that this ratio has declined in the current year compared to 2016/17 and is still below the five year Regional and State average.

The concerns relating to the condition assessment and remaining useful life which contributed to the higher level of depreciation have been addressed in the revised Asset Management Plan presented to Council in December 2017. Information produced during the Asset Management Plan review was incorporated in the fair value valuation on infrastructure assets at 30 June 2018, with the effects expected to be realised in the 2018/2019 financial year.

The Auditor's comments on ratios were discussed informally during the final audit visit but were not mentioned in the Management Report, as appended to the 2017/2018 Annual Financial Report in Attachment 2 of the Minutes of Audit and Risk Committee.

## 2. Audit Adjustments

Following the presentation of the draft 2017/2018 Financial Report to the Auditor, there were no amendments required to be actioned.

## 3. Other Matters

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

### **2017/2018 Operating Result**

The financial year ended 30 June 2018 resulted in the following carried forward operating surplus:

\$3,763,180	Budgeted 2017/2018 operating surplus (as per 2018/2019 adopted annual budget)
\$4,346,500	Actual 2017/2018 operating surplus at the completion of year end processing

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

The 2017/2018 Annual Budget adopted at the June 2018 OMC, included an estimated brought forward operating surplus of \$3,763,180 from 2017/2018. This comprised the following:

- \$1,599,708 Financial Assistance Grants estimated to be received in advance; and
- \$2,163,472 estimated surpluses from operating and capital projects that were anticipated to be incomplete prior to the close of the financial year as detailed in Attachment 3 of the Minutes of Audit and Risk Committee.

The above figures were calculated prior to the close of financial year processing. At the completion of the year ended 30 June 2018, the actual brought forward surplus has been adjusted to the final confirmed amount of \$4,346,500 which comprised as follows:

- \$1,438,384 actual amount of Financial Assistance Grants received in advance;
- \$2,188,000 confirmed amount of carryover projects previously estimated at the time of budget adoption;
- \$574,538 of net deficit (a deduction from the surplus) pertaining to additional carryover projects not anticipated at the time of budget preparation but remained incomplete by close of financial year. Income yet to be realised exceeded the expenditure committed prior to 30 June 2018 and therefore a deficit; and
- \$1,294,654 of remaining surplus available for further allocation. Factors contributing to this non-carryover surplus included but were not limited to the following:
  - \$117K savings in salaries after deducting relief staff costs;
  - \$116K savings in utilities, mainly water costs across parks and \$10K for phone costs;
  - \$117K increased interest earnings from bank deposits and unpaid rates;
  - \$86K increased BRAC Aquatic income being operational for full year;
  - \$225K of unexpected Civic Centre grant;
  - \$15K savings in legal fees mainly from Property Department; and
  - \$263K of savings in materials and contracts of around 540 accounts averaging less than \$500 each.

It is proposed that \$134,210 of the \$1,294,654 unallocated surplus funds be utilised for those activities listed in Attachment 5 of the Minutes of Audit and Risk Committee which included \$120,000 for the power upgrade at Town Beach as part of the Town Beach Redevelopment Project and \$14,210 to return unspent funds to Landcorp from the 5-year Broome North Community Sponsorship Programme that were closed to retained surplus in prior years.

After deducting the \$134,210 surplus proposed above, there remains \$1,160,444 which the Officers recommend be transferred to reserves as follows:

- \$900,444 to the Public Open Space Reserve to minimise the budgetary risk of the Town Beach Redevelopment Project; and
- \$260,000 to the Building Reserve to replenish the reserve balance.

A summary of the recommended surplus allocation is as follows:

### **SUMMARY OF 2017/2018 Surplus**

<b>2017/2018 TOTAL REPORTED SURPLUS</b>	<b>4,346,500</b>
Carry over FAGS grants received in advance	1,438,384
Carry over as per adopted budgeted (Adjusted for final 2017/2018 actuals) - Attachment 3 of the Minutes of Audit and Risk Committee	2,188,000
Additional carry over not anticipated at the time of budget adoption - Attachment 4 of the Minutes of Audit and Risk Committee	(574,538)
<b>Less: Sub-total specified carryover</b>	<b>3,051,846</b>
<b>Equals: Total Unallocated Surplus</b>	<b>1,294,654</b>
Less: Recommended use of surplus funds for specific	134,210



projects or operational requirements - Attachment 5 of the Minutes of Audit and Risk Committee

<b>Equals: Remaining Surplus</b>	<b>1,160,444</b>
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### **RECOMMENDED ALLOCATION OF SURPLUS FUNDS**

Public Open Space Reserve	900,444
Building Reserve	260,000

## **REVALUATION OF SHIRE ASSETS (FAIR VALUE)**

In accordance with regulation 17A of the *Local Government (Financial Management) Regulations 1996*, (**FMR**) the Shire must value all assets at fair value and revalue all assets every 3 years. Fair value requirements came into effect in the year ended 30 June 2013. The Shire is now in the third round of fair value revaluations with the three-year cycle recommencing in the 2015/2016 financial year. On 26 June 2018, the FMR was amended which changed the requirement to conduct annual revaluations between 3 and 5 years from the last revaluation or when there is an indication of change in value of the assets.

In 2017/2018 the Shire's Other Infrastructure assets were revalued. The revaluation resulted in a total decrement of \$20.8M which was offset against the asset revaluation reserves for each asset category.

The details of the \$20.8M decrement can be analysed as follows:

<b>Asset Class</b>	<b>Net Adjustment</b>
1. Drainage	-\$6,686,809.21
2. Other Infrastructure	\$1,831,836.56
3. Recreation Area Infrastructure	\$8,014,788.15
4. Carparks, Footpaths & Other Transport Infrastructure	\$8,261,254.21
5. Sealed Roads	-\$43,776,092.18
6. Unsealed Roads	\$11,525,057.72
<b>TOTALS</b>	<b>-\$20,829,964.76</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 —

**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 of the classes specified in column 1 of the Table to this subregulation —

(a) by the day specified in column 2 of the Table; and

(b) by the expiry of each 3 yearly interval after that day.

Table

Class of asset	Day
Plant and equipment	30 June 2016
Land, buildings and infrastructure for which the fair value was shown in the local government's annual financial report for the financial year ending on 30 June 2014	30 June 2017

<i>Class of asset</i>	<i>Day</i>
<i>All other classes of asset</i>	<i>30 June 2018</i>

- (5) *A revaluation under subregulation (4) must be based on the value of the asset as at a time that is as close as possible to the day by which the revaluation is due.*

## **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 \$1,294,654 (surplus excluding FAGS grants in advance and the committed expenditure of Attachment 3 and 4 of the Minutes of Audit and Risk Committee) represents a variance of 3.42% compared to original budgeted operating revenue for 2017/2018 of \$37,771,021 (excluding non-operating grants and contributions for assets and profit on sale of assets) (2016/17 - 4.04%). This is 2.42% over the adopted threshold of 1% (\$377,710) 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 to provide assurance that all systems, processes and controls have been established by the CEO to minimise the risk of any material misstatement or loss 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 budget estimation/formulation, workforce management and Council's overall resource capacity to achieve its strategic objectives.

Council's 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 2017/2018 Annual Report to be presented at the October 2018 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.

In regard to the proposed allocation of the 2017/2018 surplus, should Council make alternative recommendations, the long term financial impacts of such should be analysed to ensure there are no adverse impacts to Council's future financial sustainability and should be in line with the LTFP. In line with Council's risk ratings, the risk is assessed as extreme where the financial impact is greater than \$150,000 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 Council:*

1. *Notes the minutes of the Audit and Risk Committee meeting dated 22 October 2018.*
2. *Receives the Chief Executive Officer's report relating to the audit.*
3. *Receives the Audit Report and Audit Management Report dated 10 October 2018 as per Attachment 2 of the Minutes of Audit and Risk Committee meeting.*
4. *Adopts the Audited Annual Financial Report for the year ended 30 June 2018 as per Attachment 1 of the Minutes of Audit and Risk Committee meeting.*
4. *Allocates the net operating surplus from the 2017/2018 financial year as per Attachments 3, 4 and 5 of the Minutes of Audit and Risk Committee meeting with the balance of \$1,160,444 to be transferred to reserves as follows:*
  - a) *Public Open Space Reserve \$900,444*
  - b) *Building Reserve \$260,000*

**(ABSOLUTE MAJORITY REQUIRED)**

**Attachments**

1. Minutes of the Audit and Risk Committee Meeting 22 October 2018



**MISSION AND VALUES OF COUNCIL**

*"A Sustainable Community that is inclusive, attractive, healthy and pleasant to live in, that uses our land so as to preserve our history and environment, respects the rights and equality of our citizens and manages our future growth wisely."*

**UNCONFIRMED  
MINUTES**

**OF THE**

**AUDIT AND RISK COMMITTEE MEETING**

**16 OCTOBER 2018**

**(Adjourned to 22 October 2018)**

## **OUR VISION**

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## **OUR MISSION**

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## **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:***

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**SHIRE OF BROOME**  
**AUDIT AND RISK COMMITTEE MEETING**  
**TUESDAY 16 OCTOBER 2018**  
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Chairperson.....Date.....

## NOTICE OF MEETING

Dear Committee Member,

The next Audit and Risk Committee of the Shire of Broome will be held on Tuesday, 16 October 2018 in the Committee Room, Corner Weld and Haas Streets, Broome, commencing at 3.00pm.

Regards



A NUGENT  
**Acting Chief Executive Officer**

16/10/2018

Chairperson.....Date.....

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE SHIRE OF BROOME,  
HELD IN THE COMMITTEE ROOM, CORNER WELD AND HAAS STREETS, BROOME, ON  
TUESDAY 16 OCTOBER 2018, COMMENCING AT 3.00PM.**

As Cr Tracey was the only Councillor in attendance, it was established that after 30 minutes there was no quorum and the meeting was adjourned in accordance with Regulation 8 of the *Local Government (Administration) Regulations 1996* as follows:

**8. No quorum, procedure if (Act s. 5.25(1)(c))**

*If a quorum has not been established within the 30 minutes after a council or committee meeting is due to begin then the meeting can be adjourned —*

- (a) in the case of a council, by the mayor or president or if the mayor or president is not present at the meeting, by the deputy mayor or deputy president; or*
- (b) in the case of a committee, by the presiding member of the committee or if the presiding member is not present at the meeting, by the deputy presiding member; or*
- (c) if no person referred to in paragraph (a) or (b), as the case requires, is present at the meeting, by a majority of members present; or*
- (d) if only one member is present, by that member; or*
- (e) if no member is present or if no member other than the CEO is present, by the CEO or a person authorised by the CEO.*

**1. OFFICIAL OPENING (22 OCTOBER 2018)**

The Chairperson welcomed Councillors and Officers and declared the meeting open at 3.01pm.

**2. ATTENDANCE AND APOLOGIES**

Attendance:	Cr C Mitchell Cr H Tracey	Chairperson
Leave of Absence:	Cr D Male	
Apologies:	Cr B Rudeforth	
Officers:	Ms A Nugent Mr J Watt Mr A Graffen Ms K Wood Mr A Santiago Ms R Piggin Ms Y Wang	Acting Chief Executive Officer Director Corporate Services Director Infrastructure (from 3.04pm) Acting Director Development & Community Manager Financial Services Manager Governance Coordinator Financial Services

**3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY**

Committee Member	Item No	Item	Nature of Interest
Nil			

Chairperson.....Date.....

<b>4. CONFIRMATION OF MINUTES</b>
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<p><b><u>COMMITTEE RESOLUTION:</u></b></p>
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**Moved: Cr C Mitchell**

**Seconded: Cr H Tracey**

***That the Minutes of the Audit and Risk Committee held on 15 May 2018, as published and circulated, be confirmed as a true and accurate record of that meeting.***

**CARRIED UNANIMOUSLY 2/0**

Chairperson.....Date.....

## 5. REPORTS OF OFFICERS

### 5.1 ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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:	9 October 2018

**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

#### Previous Considerations

Nil.

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 2017/2018 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 Wednesday 14 September 2018, 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.

Chairperson.....Date.....

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 2017/2018 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. As a background, the 2017/2018 Annual Financial Report discloses the results of the sixth year of implementation of the legislated Integrated Planning and Reporting Framework. The plans contained in the framework provide funding strategies to ensure Council can meet its adopted strategic objectives, while maintaining and forecasting impacts on the Shire's future financial sustainability.

The Strategic Community Plan 2017-2027 (**SCP**) was adopted at the December 2016 Ordinary Meeting of Council (**OMC**) and the Corporate Business Plan 2018-2022 (**CBP**) was adopted by Council at the December 2017 OMC. A revised 2018-2033 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 2018/2019 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 2018/2019 annual budget process. The AMP is being reviewed continuously as part of the mandated integrated planning framework review to inform the 2019/2020 annual budget process.

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

#### **COMMENT**

#### **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.

Chairperson.....Date.....

The Auditor once again provided comment on the Shire's ratios similar to that in 2016/17, in particular the Asset Sustainability Ratio and the impact of the revaluation of infrastructure assets conducted during the year ended 30 June 2015 on depreciation recognised as at 30 June 2018. The Auditor noted that this ratio has declined in the current year compared to 2016/17 and is still below the five year Regional and State average.

The concerns relating to the condition assessment and remaining useful life which contributed to the higher level of depreciation have been addressed in the revised Asset Management Plan presented to Council in December 2017. Information produced during the Asset Management Plan review was incorporated in the fair value valuation on infrastructure assets at 30 June 2018, with the effects expected to be realised in the 2018/2019 financial year.

The Auditor's comments on ratios were discussed informally during the final audit visit but were not mentioned in the Management Report, as appended to the 2017/2018 Annual Financial Report in Attachment 2 to this report.

## 2. Audit Adjustments

Following the presentation of the draft 2017/2018 Financial Report to the Auditor, there were no amendments required to be actioned.

## 3. Other Matters

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

### **2017/2018 Operating Result**

The financial year ended 30 June 2018 resulted in the following carried forward operating surplus:

\$3,763,180	Budgeted 2017/2018 operating surplus (as per 2018/2019 adopted annual budget)
\$4,346,500	Actual 2017/2018 operating surplus at the completion of year end processing

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

The 2018/2019 Annual Budget adopted at the June 2018 OMC, included an estimated brought forward operating surplus of \$3,763,180 from 2017/2018. This comprised the following:

- \$1,599,708 Financial Assistance Grants estimated to be received in advance; and
- \$2,163,472 estimated surpluses from operating and capital projects that were anticipated to be incomplete prior to the close of the financial year 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 2018, the actual brought forward surplus has been adjusted to the final confirmed amount of \$4,346,500 which comprised as follows:

- \$1,438,384 actual amount of Financial Assistance Grants received in advance;

Chairperson.....Date.....

- \$2,188,000 confirmed amount of carryover projects previously estimated at the time of budget adoption;
- \$574,538 of net deficit (a deduction from the surplus) pertaining to additional carryover projects not anticipated at the time of budget preparation but remained incomplete by close of financial year. Income yet to be realised exceeded the expenditure committed prior to 30 June 2018 and therefore a deficit; and
- \$1,294,654 of remaining surplus available for further allocation. Factors contributing to this non-carryover surplus included but were not limited to the following:
  - \$117K savings in salaries after deducting relief staff costs;
  - \$116K savings in utilities, mainly water costs across parks and \$10K for phone costs;
  - \$117K increased interest earnings from bank deposits and unpaid rates;
  - \$86K increased BRAC Aquatic income being operational for full year;
  - \$225K of unexpected Civic Centre grant;
  - \$15K savings in legal fees mainly from Property Department; and
  - \$263K of savings in materials and contracts of around 540 accounts averaging less than \$500 each.

It is proposed that \$134,210 of the \$1,294,654 unallocated surplus funds be utilised for those activities listed in Attachment 5 which included \$120,000 for the power upgrade at Town Beach as part of the Town Beach Redevelopment Project and \$14,210 to return unspent funds to Landcorp from the 5-year Broome North Community Sponsorship Programme that were closed to retained surplus in prior years.

After deducting the \$134,210 surplus proposed above, there remains \$1,160,444 which the Officers recommend be transferred to reserves as follows:

- \$900,444 to the Public Open Space Reserve to minimise the budgetary risk of the Town Beach Redevelopment Project; and
- \$260,000 to the Building Reserve to replenish the reserve balance.

A summary of the recommended surplus allocation is as follows:

#### **SUMMARY OF 2017/2018 Surplus**

<b>2017/2018 TOTAL REPORTED SURPLUS</b>	<b>4,346,500</b>
Carry over FAGS grants received in advance	1,438,384
Carry over as per adopted budgeted (Adjusted for final 2017/2018 actuals) - Attachment 3	2,188,000
Additional carry over not anticipated at the time of budget adoption - Attachment 4	(574,538)
<b>Less: Sub-total specified carryover</b>	<b>3,051,846</b>
<b>Equals: Total Unallocated Surplus</b>	<b>1,294,654</b>
Less: Recommended use of surplus funds for specific projects or operational requirements - Attachment 5	134,210
<b>Equals: Remaining Surplus</b>	<b>1,160,444</b>

#### **RECOMMENDED ALLOCATION OF SURPLUS FUNDS**

Public Open Space Reserve	900,444
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Chairperson.....Date.....



Building Reserve

260,000

**REVALUATION OF SHIRE ASSETS (FAIR VALUE)**

In accordance with regulation 17A of the *Local Government (Financial Management) Regulations 1996*, **(FMR)** the Shire must value all assets at fair value and revalue all assets every 3 years. Fair value requirements came into effect in the year ended 30 June 2013. The Shire is now in the third round of fair value revaluations with the three-year cycle recommencing in the 2015/2016 financial year. On 26 June 2018, the FMR was amended which changed the requirement to conduct annual revaluations between 3 and 5 years from the last revaluation or when there is an indication of change in value of the assets.

In 2017/2018 the Shire's Other Infrastructure assets were revalued. The revaluation resulted in a total decrement of \$20.8M which was offset against the asset revaluation reserves for each asset category.

The details of the \$20.8M decrement can be analysed as follows:

Asset Class	Net Adjustment
1. Drainage	-\$6,686,809.21
2. Other Infrastructure	\$1,831,836.56
3. Recreation Area Infrastructure	\$8,014,788.15
4. Carpark, Footpaths & Other Transport Infrastructure	\$8,261,254.21
5. Sealed Roads	-\$43,776,092.18
6. Unsealed Roads	\$11,525,057.72
TOTALS	-\$20,829,964.76

**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*]

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- (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

Chairperson.....Date.....

- (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

Chairperson.....Date.....

- (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 —
 

**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.

Chairperson.....Date.....

- (4) A local government must revalue all assets of the local government of the classes specified in column 1 of the Table to this subregulation —
- (a) by the day specified in column 2 of the Table; and
- (b) by the expiry of each 3 yearly interval after that day.

Table

Class of asset	Day
Plant and equipment	30 June 2016
Land, buildings and infrastructure for which the fair value was shown in the local government's annual financial report for the financial year ending on 30 June 2014	30 June 2017
All other classes of asset	30 June 2018

- (5) A revaluation under subregulation (4) must be based on the value of the asset as at a time that is as close as possible to the day by which the revaluation is due.

## 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 \$1,294,654 (surplus excluding FAGS grants in advance and the committed expenditure of Attachment 3 and 4) represents a variance of 3.42% compared to original budgeted operating revenue for 2017/2018 of \$37,771,021 (excluding non-operating grants and contributions for assets and profit on sale of assets) (2016/17 - 4.04%). This is 2.42% over the adopted threshold of 1% (\$377,710) 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 to provide assurance that all systems, processes and controls have been established by the CEO to minimise the risk of any material misstatement or loss 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 budget estimation/formulation, 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

Chairperson.....Date.....

compliance matter. Should this not be recommended for adoption, a delay in Council's adoption of the 2017/2018 Annual Report to be presented at the October 2018 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.

In regard to the proposed allocation of the 2017/2018 surplus, should the Committee make alternative recommendations, the long term financial impacts of such should be analysed to ensure there are no adverse impacts to Council's future financial sustainability and should be in line with the LTFP. In line with Council's risk ratings, the risk is assessed as extreme where the financial impact is greater than \$150,000 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*

#### **COMMITTEE RESOLUTION: (REPORT RECOMMENDATION)**

**Moved: Cr H Tracey**

**Seconded: Cr C Mitchell**

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

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

Chairperson.....Date.....

- 2. Receives the Audit Report and Audit Management Report dated 10 October 2018 as per Attachment 2.**
- 3. Adopts the Audited Annual Financial Report for the year ended 30 June 2018 as per Attachment 1.**
- 4. Allocates the net operating surplus from the 2017/2018 financial year as per Attachments 3, 4 and 5 with the balance of \$1,160,444 to be transferred to reserves as follows:**
  - a) Public Open Space Reserve \$900,444**
  - b) Building Reserve \$260,000.**

**CARRIED UNANIMOUSLY BY ABSOLUTE MAJORITY 2/0**

**Attachments**

1. 2017-2018 Annual Financial Report
2. 2017-2018 Audit Management Report
3. 2017-2018 Surplus - Budgeted Carryover
4. 2017-2018 Surplus - Carryover Additional
5. 2017-2018 Surplus - Recommended Allocation

Chairperson.....Date.....

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

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**COMMUNITY VISION**

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

Principal place of business:  
27 Weld Street  
BROOME WA 6725



Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the

10<sup>th</sup>

day of

OCTOBER

2018



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Sam Mastrolemba  
Chief Executive Officer

SHIRE OF BROOME | 2

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

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

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

SHIRE OF BROOME | 3

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

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

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

SHIRE OF BROOME | 4

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2018

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

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

	NOTE	RESERVES			TOTAL EQUITY
		RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	
		\$	\$	\$	\$
Balance as at 1 July 2016		120,676,373	28,994,858	273,053,316	422,724,547
Comprehensive income					
Net result		2,096,684	0	0	2,096,684
Changes on revaluation of assets	10	0	0	(1,077,029)	(1,077,029)
Total comprehensive income		2,096,684	0	(1,077,029)	1,019,655
Transfers from/(to) reserves		(2,387,579)	2,387,579	0	0
Balance as at 30 June 2017		120,385,478	31,382,437	271,976,287	423,744,202
Comprehensive income					
Net result		2,413,510	0	0	2,413,510
Changes on revaluation of assets	10	0	0	(20,829,964)	(20,829,964)
Total comprehensive income		2,413,510	0	(20,829,964)	(18,416,454)
Transfers from/(to) reserves		(6,664,469)	6,664,469	0	0
Balance as at 30 June 2018		116,134,519	38,046,906	251,146,323	405,327,748

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

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

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

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

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



## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 1. BASIS OF PREPARATION

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

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

## CRITICAL ACCOUNTING ESTIMATES

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

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

## THE LOCAL GOVERNMENT REPORTING ENTITY

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

## THE LOCAL GOVERNMENT REPORTING ENTITY (Continued)

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 to these financial statements.

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY  
Land under roads

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

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

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

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

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



## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 2. REVENUE AND EXPENSES

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

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 2. REVENUE AND EXPENSES (Continued)

## (a) Revenue (Continued)

## Grant Revenue

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

	2018	2017
	\$	\$
<b>Operating grants, subsidies and contributions</b>		
Governance	8,186	35,198
General purpose funding	1,837,256	2,939,907
Health	2,198	22,172
Education and welfare	15,000	54,415
Community amenities	5,000	37,959
Recreation and culture	372,598	272,671
Transport	1,287,446	1,575,936
Economic services	167,356	633,000
Other property and services	189,302	77,397
	3,884,342	5,648,655
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	0	60,157
Community amenities	255,000	4,413
Recreation and culture	194,933	1,420,943
Transport	1,498,892	3,084,858
Economic services	4,950,000	1,358,000
Other property and services	125,170	125,170
	7,023,995	6,053,541
<b>Total grants, subsidies and contributions</b>	<b>10,908,337</b>	<b>11,702,196</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 19. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current period.

## Interest earnings

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

2018	2018	2017
Actual	Budget	Actual
\$	\$	\$
783,428	745,700	754,170
238,200	161,712	194,518
283,215	230,000	310,921
1,304,843	1,137,412	1,259,609

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other

Interest expenses (finance costs)

- Long term borrowings (refer Note 12(a))

Rental charges

- Operating leases

2018	2017
\$	\$
28,102	27,056
5,769	13,834
33,871	40,890
118,981	156,172
118,981	156,172
534,921	516,373
534,921	516,373

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

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

**SIGNIFICANT ACCOUNTING POLICIES****Cash and cash equivalents**

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

**Cash and cash equivalents (Continued)**

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

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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

**SIGNIFICANT ACCOUNTING POLICIES**

**Classification and subsequent measurement**

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

(ii) Held-to-maturity investments

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

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

(iii) Available-for-sale financial assets

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

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

**Impairment**

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

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment (Continued)**

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

**Initial recognition and measurement**

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

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

**Classification and subsequent measurement**

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

Amortised cost is calculated as:

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

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

**Derecognition**

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 4. RESERVES - CASH BACKED

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

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Reserves cash backed - Leave Reserve	Ongoing	To be used to fund annual and long service leave requirements.
Reserves cash backed - Building	Ongoing	To be used for renewal, upgrade, replacement or new building construction and associated infrastructure
Reserves cash backed - Public Open Space	Ongoing	To be used for renewal, upgrade, replacement or new public open space facilities and garden areas associated with buildings and other freely accessible public recreational facilities. Any contributions from developers are held in Trust.
Reserves cash backed - Drainage	Ongoing	To be used for the renewal, upgrade or construction of drainage services. Typically funds are from contributions made by developers.
Reserves cash backed - Plant	Ongoing	To be used for the renewal, upgrade or purchase of new mobile plant and engineering equipment.
Reserves cash backed - BRAC (Leisure Centre)	Ongoing	To be used for the construction of recreation infrastructure and facilities.
Reserves cash backed - Road	Ongoing	To be used for renewal, upgrade or new streets and roads.
Reserves cash backed - Footpath	Ongoing	To be used for renewal, upgrade or new footpaths. Typically funds are from contributions made by developers.
Reserves cash backed - Car Park	Ongoing	To be used for renewal, upgrade or new carparks. Typically funds are from "Cash In Lieu" payments from developers.
Reserves cash backed - IT & Equipment	Ongoing	To be used for renewal, upgrade or new office equipment, IT hardware and software.
Reserves cash backed - Refuse Site	Ongoing	To be used for the current and future costs of maintaining and closing the refuse site in accordance with operational needs and environmental guidelines.
Reserves cash backed - Resource Recovery Park	Ongoing	To hold funds set aside annually and any year end operational profit generated from refuse site business unit to fund: i) The future construction of a new facility; ii) the future subsequent and ongoing costs of maintaining the site in accordance with operational requirements and environmental guidelines; or iii) the costs of future rehabilitation of the site.
Reserves cash backed - Restricted Cash	Ongoing	To be used for unspent grant, contribution and loan funds.
Reserves cash backed - Community Sponsorship	Ongoing	To hold funds remaining as at 30 June after allocation of both Annual and Ad-hoc sponsorships and external donations to be spent on both annual and ad-hoc sponsorships in accordance with the Community Sponsorship Program Policy.
Reserves cash backed - EDL	Ongoing	To hold funds to be spent on community projects as approved by Energy Development Limited.
Reserves cash backed - Kimberley Zone	Ongoing	To hold funds set aside annually to fund future projects and initiatives for the Kimberley Zone of WALGA and/or Regional Collaborative Groups.
Reserves cash backed - Public Art	Ongoing	To hold funds set aside annually to fund future public art projects and initiatives within the Shire.

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 5. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
<b>Current</b>		
Rates outstanding	794,223	1,004,623
Sundry debtors	903,729	525,385
GST receivable	292,871	185,579
Bonds and Deposits held by others	48,978	42,498
Other current Receivables	545,538	100,490
Allowance for impairment - rates	(106,676)	(99,881)
Allowance for impairment - sundry debtors	(23,948)	(25,805)
	2,454,715	1,732,889
<b>Non-current</b>		
Rates outstanding - pensioners	17,430	17,061
	17,430	17,061
Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:		
<b>Rates outstanding</b>		
Includes:		
Past due and not impaired	687,547	904,742
Impaired	106,676	99,881
<b>Sundry debtors</b>		
Includes:		
Current	541,465	476,686
Past due and not impaired	338,316	22,894
Impaired	23,948	25,805

## SIGNIFICANT ACCOUNTING POLICIES

## Trade and other receivables

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

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

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

## Classification and subsequent measurement

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

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

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Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2018**6. INVENTORIES****Current**

Fuel and materials

BRAC Stock

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

**SIGNIFICANT ACCOUNTING POLICIES****General**

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

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



## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 7 (a). PROPERTY, PLANT AND EQUIPMENT

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

## (b) Movements in Carrying Amounts

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

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 7. PROPERTY, PLANT AND EQUIPMENT (Continued)

## (c) Fair Value Measurements

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 8 (a). INFRASTRUCTURE

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 8. INFRASTRUCTURE (Continued)

## (b) Movements in Carrying Amounts

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

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

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 8. INFRASTRUCTURE (Continued)

## (c) Fair Value Measurements

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

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

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

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Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

The fair value of fixed assets is determined at least every three years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

Land under control

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

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

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

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

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

(b) Depreciation

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



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## 9. FIXED ASSETS (Continued)

## (b) Depreciation (Continued)

## SIGNIFICANT ACCOUNTING POLICIES

## Depreciation

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

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

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

## Depreciation rates

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

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

## Depreciation (Continued)

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

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

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

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

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10. REVALUATION SURPLUS

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

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

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## 11. TRADE AND OTHER PAYABLES

## Current

	2018	2017
	\$	\$
Sundry creditors	2,705,671	2,421,490
Accrued interest on long term borrowings	3,017	3,875
Accrued salaries and wages	444,752	421,666
ATO liabilities	13,239	31,864
Excess Rates	245,753	199,608
Prepaid Rent, Grants and Services	159,401	162,440
Accrued Expenses	1,034,877	513,119
	4,606,710	3,754,062

## SIGNIFICANT ACCOUNTING POLICIES

## Trade and other payables

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

## Trade and other payables (Continued)

of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

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## 12. INFORMATION ON BORROWINGS

## (a) Repayments - Borrowings

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

All loan repayments were financed by general purpose revenue.

## Borrowings

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

## (b) New Borrowings - 2017/18

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

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

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## 12. INFORMATION ON BORROWINGS (Continued)

## (c) Unspent Borrowings

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

## (d) Undrawn Borrowing Facilities

## Credit Standby Arrangements

Bank overdraft limit  
Bank overdraft at balance date  
Credit card limit  
Credit card balance at balance date

## Total amount of credit unused

## Loan facilities

Loan facilities - current  
Loan facilities - non-current

## Total facilities in use at balance date

## Unused loan facilities at balance date

	2018	2017
	\$	\$
Bank overdraft limit	700,000	700,000
Bank overdraft at balance date	0	0
Credit card limit	25,000	25,000
Credit card balance at balance date	0	0
Total amount of credit unused	725,000	725,000
Loan facilities		
Loan facilities - current	619,827	592,743
Loan facilities - non-current	1,699,411	2,319,237
Total facilities in use at balance date	2,319,238	2,911,980
Unused loan facilities at balance date	NIL	NIL

## SIGNIFICANT ACCOUNTING POLICIES

## Financial liabilities

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

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

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred

## Financial liabilities (Continued)

to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Borrowing costs

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

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## 13. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
<b>Opening balance at 1 July 2017</b>			
Current provisions	1,313,724	712,020	2,025,744
Non-current provisions	0	448,291	448,291
	1,313,724	1,160,311	2,474,035
 Additional provision	42,089	164,804	206,893
Increase in the discounted amount arising because of time and the effect of any change in the discounted rate	0	2,281	2,281
<b>Balance at 30 June 2018</b>	1,355,813	1,327,396	2,683,209
 <b>Comprises</b>			
Current	1,355,813	858,333	2,214,146
Non-current		469,063	469,063
	1,355,813	1,327,396	2,683,209

## SIGNIFICANT ACCOUNTING POLICIES

## Employee benefits

## Short-term employee benefits

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

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

## Other long-term employee benefits

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

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

## Other long-term employee benefits (Continued)

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

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

## Provisions

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

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

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## 14. NOTES TO THE STATEMENT OF CASH FLOWS

## Reconciliation of Cash

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	45,133,347	30,621,835	37,606,384
<b>Reconciliation of Net Cash Provided By Operating Activities to Net Result</b>			
Net result	2,413,510	3,936,745	2,096,684
Non-cash flows in Net result:			
Depreciation	12,933,560	13,766,535	12,516,081
(Profit)/loss on sale of asset	297,139	190,276	598,800
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(722,195)	0	1,035,485
(Increase)/decrease in inventories	2,630	0	(11,271)
Increase/(decrease) in payables	852,648	0	(391,738)
Increase/(decrease) in provisions	209,174	30,250	(37,312)
Grants contributions for the development of assets	(7,023,995)	(15,363,153)	(6,053,541)
Net cash from operating activities	8,962,471	2,560,653	9,753,188

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15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

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



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## 16. CAPITAL AND LEASING COMMITMENTS

	2018	2017
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	2,017,266	199,410
- plant & equipment purchases	0	25,140
Payable:		
- not later than one year	2,017,266	199,410

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

## (b) Operating Lease Commitments

	2018	2017
	\$	\$
Non-cancellable operating leases contracted for but		
Payable:		
- not later than one year	298,261	343,678
- later than one year but not later than five years	0	23,689
	298,261	367,367

## SIGNIFICANT ACCOUNTING POLICIES

## Leases

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

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

## Leases (Continued)

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

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

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

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## 17. RELATED PARTY TRANSACTIONS

## Elected Members Remuneration

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

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

## Key Management Personnel (KMP) Compensation Disclosure

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

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

## Short-term employee benefits

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

## Post-employment benefits

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

## Other long-term benefits

These amounts represent long service benefits accruing during the year.

## Termination benefits

These amounts represent termination benefits paid to KMP.

## Transactions with related parties

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

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

The following transactions occurred with related parties:

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

## Related Parties

The Shire's main related parties are as follows:

## i. Key management personnel

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

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

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

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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17. MAJOR LAND TRANSACTIONS

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

18. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

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

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## 19. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/16	Received <sup>(2)</sup> 2016/17	Expended <sup>(3)</sup> 2016/17	Closing Balance <sup>(1)</sup> 30/06/17	Received <sup>(2)</sup> 2017/18	Expended <sup>(3)</sup> 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>Governance</b>							
Don't Zoom in Broome Project Grant	2,096	0	0	2,096	0	0	2,096
EDL sponsorship and spent	236,035	6,726	(32,400)	210,361	5,615	(33,605)	182,371
DLGC National Youth Week Grant	247	0	0	247	0	0	247
Midnight Basketball Contributions	0	0	0	0	6,546	0	6,546
<b>Law, order, public safety</b>							
FESA State Emergency Service & Volunteer Bush Fire Brigade Operational and Grant funding	17,093	0	0	17,093	0	0	17,093
<b>Health</b>							
Clean Up Aboriginal Communities Operational Grant	16,136	0	0	16,136	0	0	16,136
Department of Health - FIMMWA Mosquito Control Advisory Committee Funding for Mosquito control	3,540	21,304	(17,870)	6,974	0	(4,390)	2,584
<b>Education and welfare</b>							
Office of Crime Prevention Grant - Community Safety & Crime Prevention Plan & LGA Partnership Fund - Initiative Lighting Up Anne St Precinct	3,832	0	0	3,832	0	0	3,832
Department of Attorney-General - Hypernight Grant	2,500	0	0	2,500	0	0	2,500
Care of Families & Children Grants - Broome Iterants Strategy	9,507	0	0	9,507	0	0	9,507
<b>Community amenities</b>							
OTCAM Donation for Broome Cemetery Committee from Mollie Bean	150	0	0	150	0	0	150
Rangelands NRM Water Quality Monitoring Program - Protection of Environment	1,091	0	0	1,091	0	0	1,091
Landcorp Development Contributions Plan and Scheme Amendment	151,981	0	(89,605)	62,376	0	0	62,376
Department of Planning Coastal Hazard Risk Management and Adaption Plan	30,573	5,000	(35,573)	0	0	0	0
Regional Venue Programming & Business Development (Raise the Roof) Grant	0	0	0	0	160,000	0	160,000
<b>Recreation and culture</b>							
Parks and Ovals Grants - Lions Club BBQ grant.	330	0	0	330	0	0	330
State Library of WA - Library Grant	19,266	28,784	(43,495)	4,555	7,000	(7,674)	3,881
Swimming Areas & Beaches - Entrance Point Jetty Planning Grant RBFS	38,300	0	0	38,300	0	0	38,300
Grant from Sport 4 All - Kidsport Grant	9,818	40,000	(40,000)	9,818	0	0	9,818
Landcorp Development Contribution BRAC aquatic upgrade	956,883	0	(825,139)	131,744	0	0	131,744

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

19. CONDITIONS OVER GRANTS/CONTRIBUTIONS (Continued)

Grant/Contribution	Opening Balance <sup>(1)</sup> 1/07/16	Received <sup>(2)</sup> 2016/17	Expended <sup>(3)</sup> 2016/17	Closing Balance <sup>(1)</sup> 30/06/17	Received <sup>(2)</sup> 2017/18	Expended <sup>(3)</sup> 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
<b>Transport</b>							
Road Maintenance - Office Native Title Morrell Park maintenance	251,074	0	(21,744)	229,330	0	(2,674)	226,656
Roads to Recovery Unspent Grant re Clementson St Upgrade Infra Stage 3	14,104	0	0	14,104	0	0	14,104
Roads to Recovery Unspent Grant re Unallocated	23,101	0	0	23,101	0	0	23,101
MRD Grant Remote Access Road Grant - (Broome - Cape Leveque Road)	1,006	0	0	1,006	0	0	1,006
Royalties for Regions Grant Lorikeet Drive	140,755	0	(140,755)	0	0	0	0
Street Lighting Const Grant Undergrnd Power C/Town Upgrade	48	0	0	48	0	0	48
WALGA Grant Road Safety Activities	1,200	0	0	1,200	0	0	1,200
Black Spot Federal - Hamersley Napier	0	451,484	(45,746)	405,738	0	(405,738)	0
Crab Creek Road - Water Corporation contribution	0	762,000	(632,103)	129,897	0	(129,897)	0
Indigenous Access Roads Program Cape Leveque	0	0	0	0	235,667	(132,343)	103,324
Roads to Recovery - Hunter Street Stage 2	0	0	0	0	32,129	0	32,129
<b>Economic services</b>							
Tourism Grants - Visitors Center & Railway Line Project	50,000	0	0	50,000	0	0	50,000
Chinatown Revitalisation - Royalties for Regions	0	1,800,000	(1,141,102)	658,898	4,750,000	(1,814,010)	3,594,888
Chinatown Revitalisation - Tourism WA	0	133,000	0	133,000	267,000	0	400,000
Tourism WA - Black Waste Dump Point	0	58,000	(34,120)	23,880	0	(23,880)	0
Landcorp - Broome Growth Plan Partnership	0	0	0	0	100,356	(13,950)	86,406
<b>Other property and services</b>							
Rio Tinto Contribution Apprentice Incubation Programme	17,219	37,152	(33,021)	21,350	44,527	(24,228)	41,649
<b>Total</b>	<b>1,997,885</b>	<b>3,343,450</b>	<b>(3,132,673)</b>	<b>2,208,662</b>	<b>5,608,840</b>	<b>(2,592,389)</b>	<b>5,225,113</b>

Notes:

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

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

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

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

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## 20. RATING INFORMATION

## (a) Rates

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

## SIGNIFICANT ACCOUNTING POLICIES

## Rates

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

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

## 20. RATING INFORMATION (Continued)

## (b) Discounts, Incentives, Concessions, &amp; Write-offs

## Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	Actual \$	Budget \$
General Rates	Concession	8.585%		978	978
General Rates	Concession	7.935%		5,336	5,339
General Rates	Concession	7.815%		982	984
				7,296	7,301

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Reasons for the Waiver or Concession
UV - Coconut Wells	8.585% concession on all properties on unimproved values (UV) in the locality of Coconut Well	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.
UV - Twelve Mile	7.935% concession on all properties on unimproved values (UV) in the locality of Twelve Mile.	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.
UV - Horticulture Land Use	7.815% concession on all properties on unimproved values (UV) with Horticulture Land Use.	To ensure a consistent rate increase was maintained for these properties comparative to other properties within alternate UV rating categories, following changes to Differential Rating Categories initiated to remove reference to locality.

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20. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
<b>Option One</b>				11.00%
Single full payment	23-Aug-17			
<b>Option Two</b>			5.50%	11.00%
First instalment	23-Aug-17			
Second instalment	10-Jan-18	7		
<b>Option Three</b>			5.50%	11.00%
First instalment	23-Aug-17			
Second instalment	25-Oct-17	7		
Third instalment	10-Jan-18	7		
Fourth instalment	14-Mar-18	7		
			2018	2018
			Budget	Budget
			\$	\$
Interest on unpaid rates			150,320	130,000
Interest on instalment plan			132,895	100,000
Charges on instalment plan			40,978	40,000
Payment arrangement fee			7,505	0
			331,698	270,000



## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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## 21. NET CURRENT ASSETS

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

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

**Difference**

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

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 22. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

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

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 22. FINANCIAL RISK MANAGEMENT (Continued)

## (a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

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

## Notes:

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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## 22. FINANCIAL RISK MANAGEMENT (Continued)

## (b) Receivables

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

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

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

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

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

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

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

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## 22. FINANCIAL RISK MANAGEMENT (Continued)

## (c) Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
<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
<b>2017</b>					
Payables	3,754,062	0	0	3,754,062	3,754,062
Borrowings	712,581	2,532,336	0	3,244,917	2,911,980
	4,466,643	2,532,336	0	6,998,979	6,666,042

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FOR THE YEAR ENDED 30TH JUNE 2018

## 22. FINANCIAL RISK MANAGEMENT (Continued)

## (c) Payables and borrowings (Continued)

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	60,765	0	344,478	1,913,995	0	0	2,319,238	4.30%
Weighted average								
Effective interest rate	6.41%	0.00%	5.86%	3.95%	0.00%	0.00%		
<b>Year ended 30 June 2017</b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Long term borrowings	0	117,814	0	446,662	2,347,504	0	2,911,980	4.34%
Weighted average								
Effective interest rate	0.00%	6.41%	0.00%	5.86%	3.95%	0.00%		

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## 23. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Footpath Damage Deposits	32,276	0	0	32,276
Library Transient Borrower Deposits	69	0	0	69
Election Nomination Deposits	0	800	(800)	0
Civic Centre Takings	3,654	0	0	3,654
Other General Purpose Deposits	8,493	0	0	8,493
BCITF Collection & Refund Deposits	6,532	42,952	(48,665)	819
Town Planning Related Bond Deposits	106,207	0	0	106,207
Cemetery Plot Reservation Deposits	33,596	2,198	0	35,794
Recreation Facility use Bond Deposits	32,925	143,778	(127,408)	49,295
Road & Footpath Facilities Bond Deposits	506,946	0	0	506,946
Capital Works Bond Deposits	3,060	0	0	3,060
Cash In Lieu Of Public Open Space	99,876	0	0	99,876
Bank Guarantee Deposits Received	16,431	30,000	0	46,431
BRB Levy	5,948	44,642	(48,902)	1,688
Unclaimed Monies	19,523	60	0	19,583
Staff Rental Bonds	40,114	17,460	(10,480)	47,094
Key Deposits	2,545	0	0	2,545
Chinatown Revitalisation DRD Grant	9,169,409	73,546	(5,225,000)	4,017,955
	10,087,604	355,436	(5,461,255)	4,981,785

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Shire.

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

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

Notes:

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



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FOR THE YEAR ENDED 30TH JUNE 2018

Title	Issued / Compiled	Applicable (1)	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> <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> <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

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

**Adoption of New and Revised Accounting Standards**

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

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

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

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 25. OTHER SIGNIFICANT ACCOUNTING POLICIES

## a) Goods and services tax (GST)

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

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

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

## b) Current and non-current classification

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

## c) Rounding off figures

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

## d) Comparative figures

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

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

## e) Budget comparative figures

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

## f) Superannuation

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

## g) Fair value of assets and liabilities

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

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

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

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

## h) Fair value hierarchy

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

## Level 1

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

## Level 2

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

## Level 3

Measurements based on unobservable inputs for the asset or liability.

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

## Valuation techniques

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

## Market approach

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

## Income approach

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

## Cost approach

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

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

## i) Impairment of assets

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

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

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

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

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

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
<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.

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## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

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

## 27. FINANCIAL RATIOS

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

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

**Notes:**

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

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

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

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

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## MOORE STEPHENS

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

#### Opinion

We have audited the accompanying financial report of the Shire of Broome (the Shire), which comprises the Statement of Financial Position as at 30 June 2018, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and the Rate Setting Statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

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

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

#### Basis for Opinion

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

#### Emphasis of Matter – Basis of Preparation

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

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

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

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

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

## MOORE STEPHENS

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

#### Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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**MOORE STEPHENS**

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

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

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



GREGORY GODWIN  
PARTNER

MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 10<sup>th</sup> day of October 2018.

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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**MOORE STEPHENS**

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10 October 2018

Mr S Mastrolembro  
Chief Executive Officer  
Shire of Broome  
PO Box 44  
BROOME WA 6725

Dear Sam

**AUDIT OF SHIRE OF BROOME  
FOR THE YEAR ENDED 30 JUNE 2018**

We advise that we have completed the audit of your Shire for the year ended 30<sup>th</sup> June 2018 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President, Cr Harold Tracey as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely

  
Greg Godwin  
Partner  
Moore Stephens

Encl.



Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

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10 October 2018

Cr Harold Tracey  
The Shire President  
Shire of Broome  
PO Box 44  
BROOME WA 6725

Dear Cr Tracey

**MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018**

We advise that we have completed our audit procedures for the year ended 30 June 2018.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

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 noted no matters we wish to draw to your attention.

We take this opportunity to thank the Shire for their assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin  
Partner  
Moore Stephens

Encl.

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

## ATTACHMENT 3 - Surplus - Original CARRYOVER as reconciled

30/06/2018						Expenditure			Income				
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/Deficit	Budgeted Carry Over Expenditure(\$)	Variance from budgeted carryover Exp	Adjusted Budget Amount 17/18	Funding Source	Non Muni Funded Income Carryover (\$)	Variance from budgeted carryover Inc	Adjusted Budget Amount 17/18	Comments
Corporate Services													
CS2 - Manager Financial Services													
32220		Valuation Expenses - Op Exp - Rates	177,000	9,483	167,517	152,000	15,517	167,517	Muni				***CARRY-OVER: TRIENNIAL GRV VALUATION: Budgeted at \$152K calculated by applying an annual CPI of 2% on \$143K actual amount charged by Langstaff in 2014/15 for a similar exercise.**
CS6 - Manager Information Technology													
146120		Equip & HWWare > \$5000 Cap Exp - IT	452,170	386,342	65,828	50,000	(1,739)	48,261	Muni				***CARRY-OVER: PROJECT DCS181001 - Unified Communications Project \$50K*** Outstanding Pn: PO 84912 \$38K, PO 85025 \$9600, PO85150 \$505, PO85234 \$1363.64, PO84691 \$792
Total Proposed Carry Over - Corporate Services						202,000	13,777	215,777		0	0	0	
Development Services													
DS1 - Director Development Services													
106106	106126	Consultancy - Development Contributions Plan & Scheme Amendment	41,000	8,171	32,829	15,000	-	15,000	Muni				***CARRY-OVER: PROJECT DCS181202*** Review & Administration of Development Services Plan. \$15K 100% Muni funded***
1367210		Economic Development Program Expense - Op Exp - Other Economic Services	100,356	13,950	86,406	50,356	36,050	86,406	Grant in Restricted Cash				***CARRY-OVER ADJUSTMENT: Growth Plan finalisation and seed funding for implementation. 100% Restricted Cash Acct: 1367525 (\$36,406)***
1367525		Transfer From Restricted Cash Reserve - Other Economic Services	-	-	-	-	-	-		(50,356)	(36,050)	(86,406)	***CARRY-OVER ADJUSTMENT: Growth Plan finalisation and seed funding for implementation. 100% Restricted Cash (\$86,406). Exp Acct: 1367210***
53172		VSBF Building New Const - Cap Exp - Volunteer Bush Fire Brigade	1,200,000	-	1,200,000	1,200,000	-	1,200,000	Grant carried over				***CARRY-OVER: 5 Bay Shed for VSBF (Grant Funded see 53390) Previously carried over in 2016-17***
53390		Capital Grant Funding For Plant/Equip/ Buildings - Cap Inc - Volunteer Bush Fire Brigade	(1,200,000)	-	(1,200,000)	-	-	-		(1,200,000)		(1,200,000)	***CARRY-OVER: Grant 5 Bay Shed for VSBF (Exp Acct 53172) Previously carried over in 2016-17***
116084		Community Signage - Op Exp - Other Culture	40,570	-	40,570	40,570	-	40,570	Muni				***CARRY-OVER: PROJECT DCS181205 - Signage at Garbathuene Beach & Cable Beach Surf Club***
Total Proposed Carry Over - Dev Services						1,305,926	36,050	1,341,976		(1,250,356)	(36,050)	(1,286,406)	
Infrastructure													
ESS - Works Coordinator													
104270	104299	Short St-Palaisley Camarvon Street New Drainage Const - Cap Exp	400,000	-	400,000	400,000	-	400,000	75% Muni, 25% Reserves				***CARRY-OVER: Q3 FACR Amendment for Drainage related to Ctoen Reviv Project - Funded by \$300K Muni, \$100,801K Reserve (inc acct 104480) - liability to complete detailed design in required timeframe ***
104480		Transfer From Drainage Reserve - Urban Stormwater Drainage - Cap Inc	(100,801)	-	(100,801)	-	-	-		(100,801)			***CARRY-OVER: Q3 FACR Amendment for Drainage related to Ctoen Reviv Project - Funded by \$300K Muni, \$100,801K Reserve (Exp acct 104270) - liability to complete detailed design in required timeframe ***
123000	122197	2016-2017 WANDRRA Events - Works Maint	1,000,551	325,606	674,945	694,551	(19,606)	674,945	Grant carried over				***CARRY-OVER: 1617 WANDRRA funding work. Liability to be finalised 16/19 due to extreme weather events in 17/18. Inc in acct 120306
120306		Dep't Premier & Cabinet Natural Disaster Grant - Cap's Leveget Rd	(1,000,551)	(325,606)	(674,945)	-	-	-		(1,000,551)	325,606	(674,945)	***CARRY-OVER: 1617 WANDRRA funding work. Liability to be finalised 16/19 due to extreme weather events in 17/18. Expense in Acct 122197
121501	121540	Cape Leveque Rd Upgrade Const - Cap Exp (See 121507 for Referrals & Drainage)	235,667	132,343	103,324	103,324	-	103,324	Grant in Restricted Cash				***CARRY-OVER: PROJECT - Indigenous Access Roads Programme - improve formation and drainage. RTTR funded held in reserve \$103,324. Inc in acct 121906
121506		Transfer From Restricted Cash Reserve - Road Construction	-	-	-	-	-	-		(103,324)		(103,324)	***CARRY-OVER: PROJECT - Indigenous Access Roads Programme - improve formation and drainage. RTTR funded held in reserve \$103,324. Exp in acct 121540.
107540	107541	Carpetries Other Infrastructure Upgrade - Cap Exp- Oth Com A	56,000	1,560	54,440	54,650	(210)	54,440	Muni				***CARRY-OVER ADJUSTMENT: PROJECT DS180509 - Cemetery Masterplan - Carpark Upgrade. 100% Muni funded - \$54,650

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

## ATTACHMENT 3 - Surplus - Original CARRYOVER as reconciled

30/06/2018								Expenditure		Income			
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/Deficit	Budgeted Carry Over Expenditure(\$)	Variance from budgeted carryover Exp	Adjusted Budget Amount 17/18	Funding Source	Non Muni Funded Income Carryover (\$)	Variance from budgeted carryover Inc	Adjusted Budget Amount 17/18	Comments
E56 - Senior Project Engineer													
121100	RU433	Hamersley Napier Black Spot Project - Cap Exp	1,591,234	563,174	1,028,060	999,455	63,138	1,062,593	\$218,644 Muni, \$677K Grant, \$140,295 Road Reserve				****CARRY-OVER ADJUSTMENT: PROJECT RU433 - \$677,225 RTR Grant (80%) Income Acct 121763, \$218,644 Muni funded, \$140,295 from Road Reserve (Acct 121960)
121763		Black Spot Non Op Grant (Commonwealth/Federal)	(677,226)	-	(677,226)					(677,225)		(677,225)	****CARRY-OVER: PROJECT RU433 - Hamersley Napier Black Spot Project- 16-17 & 17-18 Cont. Proposed funded \$677,225 as last 60% claim to be made (Income Acct 121763), \$322,229 Muni funded (remainder of surplus Muni funds after reserve transfer)****
121960		Transfer From Road Reserve Road Construction - Cap Inc	(140,295)	-	(140,295)						(140,295)	(140,295)	****CARRY-OVER ADJUSTMENT: PROJECT RU433 - Hamersley Napier Black Spot Project- Road Reserve funds of \$140,295 not needed in 17-18
121101	121552	Hunter St Renewal Rd Infra Const - Capex (was Herbert st)	818,680	777,980	41,000	-	41,000	41,000					****CARRY-OVER ADJUSTMENT: PROJECT 121552 - Hunter St Stage 1, (\$30,600 RRG grant Inc 121779 + \$10,400 muni)
121778		Regional Rd Group (RRG) Rural Rd Const Funding- Non Op Inc- Rd Const	(528,011)	(528,011)	-					(30,600)	30,600		****CARRY-OVER ADJUSTMENT: PROJECT DIS180205 - Hunter St Reconstruction Stage 1. Final 20% claim RRG \$30,600. Exp in acct 121552 for 17/18 - CARRYOVER BUDGET PUT IN WRONG ACCOUNT
121779		Regional Rd Group (RRG) Urban Rd Const Funding- Non Op Inc- Rd Const	(153,005)	(122,400)	(30,600)					(30,600)	(30,600)		****CARRY-OVER: PROJECT DIS180205 - Hunter St Reconstruction Stage 1. Final 20% claim RRG \$30,600. Exp in acct 121552 for 17/18
121960		Transfer From Road Reserve Road Construction - Cap Inc									(32,129)	(32,129)	RTR Grant Received in 17-18 (in advance) for Hunter St Stage 2
E53 - Manager Infrastructure / Plant Replacement Program													
107550	107596	Broomie Cemetery New Infrastructure Cap Exp	44,000	5,614	38,387	38,000	387	38,387	Muni				****CARRY-OVER ADJUSTMENT: PROJECT DIS180508 - Cemetery Masterplan, Columbarium, 100% Muni Funded****
125140	121597	Frangipani Subdivision Footpath Construction Expense - Cap Exp	21,300	16,537	4,763	-	4,763		Reserve carried over				****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, 100% Reserve Funded via acct 125960****
125140	125269	Rothsack Estate Subdivision - Various Stages	20,000	-	20,000	-	20,000		Reserve carried over				****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, 100% Reserve Funded via acct 125960****
125140	125279	Six Seasons Estate - Janabun Subdivision - Various Stages	7,000	-	7,000	-	7,000		Reserve carried over				****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, 100% Reserve Funded via acct 125960****
125140	125289	Sunset Rise Subdivision - Whole Estate - Various Paths	20,000	-	20,000	-	20,000		Reserve carried over				****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, 100% Reserve Funded via acct 125960****
125140	125290	Old Broomie Estate Subdivision - Whole Estate - Various Paths	10,000	3,144	6,856	-	6,856		Reserve carried over				****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, 100% Reserve Funded via acct 125960****
125960		Transfer From Footpath Reserve - Footpath Construction	(406,630)	(174,554)	(232,076)	-	(232,076)						****CARRY-OVER: PROJECT DIS180301 - Subdivisional Footpaths, \$4,763 Frangipani Subdivision (job 121597), \$20K Rothsack Estate (job 125269), \$7K Six Seasons Estate (job 125279), \$20K Sunset Rise Subdivision (job 125289), \$6,856 Old Broomie Estate Subdivision (job 125290)****
125225	125232	Street Lighting at Various Locations - Renewal	48,204	-	48,204	47,304	900	48,204	Muni				****CARRY-OVER ADJUSTMENT: PROJECT DIS180504 - Short St lighting renewal, \$47,304 (\$30K original budget plus \$18,204 anticipated savings from STJAD001) 100% Muni funded****

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

## ATTACHMENT 3 - Surplus - Original CARRYOVER as reconciled

30/06/2018			Expenditure					Income					
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/Deficit	Budgeted Carry Over Expenditure(\$)	Variance from budgeted carryover Exp	Adjusted Budget Amount 1718	Funding Source	Non Muni Funded Income Carryover (\$)	Variance from budgeted carryover Inc	Adjusted Budget Amount 1718	Comments
113553	HAYN001	Haynes Oval Other Infrastructure Renewal - Cap Exp	41,950	-	41,950	39,357	2,593	41,950	Muni				***CARRY-OVER ADJUSTMENT PROJECT DIS180710 - Tank Renewal Haynes Oval (IE Code 34 only) \$39,357 100% Muni Funded. Construct in the same time as the fencing in order not to duplicate the removal of fence when the tank is set up.
E59 - Development & Subdivision Engineer													
116125	116126	Broome Entry Statement Signage New Const - Cap Exp - Other Out	76,439	2,350	74,089	74,000	89	74,089	Muni				***CARRY-OVER ADJUSTMENT PROJECT - Broome Entry Statement (carried over from 2016-17), \$74K 100% Muni Funded***
PM2 - Asset & Building Coordinator													
147374		KRO1 Building Renewal - Cap Exp - Office Prop Leased	845,000	109,186	735,814	619,850	115,964	735,814	Reserve carried over				***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 Class	(1,500,000)	(153,310)	(1,346,690)					(1,161,850)	(194,840)	(1,346,690)	***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$1,161,850. Funded by Building Reserve See Inc Acct 147355***
147375		KRO2 Building Renewal - Cap Exp - Office Prop Leased	655,000	44,124	610,876	542,000	68,876	610,876	Reserve carried over				***CARRY-OVER: PROJECT DIS180103 - KRO 1 & 2 Refurb. \$542K Funded by Building Reserve See Inc Acct 147355***
Total Proposed Carry Over - Infrastructure						3,612,491	99,763	3,685,711		(3,074,351)	(31,656)	(3,106,009)	
Community & Economic Development													
E57 - Special Projects Co-ordinator													
1367405	1367409	Frederick St Lookout - Other Infra New - Cap Ex	732,994	160,073	572,911	-			Chinatown Revitalisation grant				***CARRY-OVER: Frederick St Lookout Project budget \$250K***
1181401		Town Beach Redevelopment -Other Infra New - Cap Exp	4,500,000	61,288	4,418,712	4,500,000	(81,288)	4,418,712	Grant carried over				***CARRY-OVER: PROJECT TOWN BEACH REDEVELOPMENT - Revetment Wall \$4.5M - 100% Grant Funded (Income Acct 113403)***
113403		Grants - Non Op - Cap Inc - Other Rec & Sport	(7,300,000)	(42,933)	(7,257,067)					(7,300,000)	42,933	(7,257,067)	***CARRY-OVER: PROJECT TOWN BEACH REDEVELOPMENT - Revetment Wall \$4.5M - 100% Grant Funded (Expense Acct 1181401) + Greenspace & Waterpark \$2.0M Lotterywest (Exp Acct 1181405)***
1181405		Town Beach Redevelopment - Greenspace & Waterpark - Cap Exp	3,891,453	63,568	3,827,885	3,891,453	(63,568)	3,827,885	Grant carried over				***CARRY-OVER: PROJECT TOWN BEACH REDEVELOPMENT - Greenspace & Waterpark \$2.0M Lotterywest (Inc Acct 113403). Remaining \$1,091,453 funded by Muni***
108001		New Refuse Site Exp - Op Exp - Regional Resource Recovery Park	400,000	62,481	347,519	300,000	(100,000)		Reserve carried over				***CARRY-OVER: PROJECT DIS181204 - New Refuse Site RRRP Design. \$300K - 100% Reserve Funded (Inc Acct 101995)
101995		Transfer from Regional Resource Recovery Reserve - Cap Inc - Reg Res Recov	(400,000)	(52,481)	(347,519)					(300,000)	300,000		***CARRY-OVER: PROJECT DIS181204 - New Refuse Site RRRP Design. \$300K - 100% Reserve Funded (Exp Acct 108001)
BRAC1 - Manager Sport & Recreation													
113704		Consultants - Op Exp - Rec Services	45,000	34,955	10,045	17,500	(3,510)	13,990	Muni				***CARRY-OVER: PROJECT CED181201 - Review of Sport & Rec Strategic Plan Variation to PO82748, Inv 17-06 \$4545 still to be invoiced*** + CARRY OVER PO 80744 RFG 17-09 SGL Consulting \$9445 outstanding
1181420	YBRA001	Youth Bike Recreation Area - New Construction - Cap Exp	226,700	6,400	220,300	189,200	31,100	220,300	Muni				***CARRY-OVER ADJUSTMENT PROJECT CED180502 - Youth Bike Recreation Precinct 2017-18 \$220,300 Muni Funds. (Funded by DSR Grant \$85,000 (Inc Acct 113403) + Rec Cash Reserve \$9870 (Inc Acct 113405) + \$125,430 Muni***
113403		Grants - Non Op - Cap Inc - Other Rec & Sport									(85,000)	(85,000)	***CARRY-OVER ADJUSTMENT PROJECT CED180502 - Youth Bike Recreation Precinct 2017-18 \$85,000 DSR Grant (Exp Acct YBRA001)***
113409		Transfer From Restricted Cash Reserve - Other Rec & Sport	(9,870)	-							(9,870)	(9,870)	***CARRY-OVER ADJUSTMENT PROJECT CED180502 - Youth Bike Recreation Precinct 2017-18. \$9,870 rec cash. Exp Acct YBRA001***

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

ATTACHMENT 3 - Surplus - Original CARRYOVER as reconciled

30/06/2018			Expenditure					Income					
Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/Deficit	Budgeted Carry Over Expenditure(\$)	Variance from budgeted carryover Exp	Adjusted Budget Amount 17/18	Funding Source	Non Muni Funded Income Carryover (\$)	Variance from budgeted carryover Inc	Adjusted Budget Amount 17/18	Comments
LS1 - Coordinator Library													
115280		Grant Program Expenses - Op Exp - Library (Income in 115480)	13,416	8,352	5,024	2,980	901	3,881	Grant in Restricted Cash				****CARRY-OVER: CBW grant (\$5,000 in inc acct 115480) received Apr 17/18. Remainder to be carried over into 18-19 (\$3,881)****
115480		Grant Program Income - Op Inc - Library (Expense in 115280)	(6,500)	(7,000)	500					(5,500)	5,500		****CARRY-OVER ADJUSTMENT: CBW grant (\$5,000) Received in April - 18. Unexpended amount of \$3881 put into reserve
115311		Transfer from Restricted Cash Reserve - Libraries - Cap Inc									(3,881)	(3,881)	****CARRY-OVER ADJUSTMENT: CBW grant (\$5,000) Received in April. Unexpended amount of \$3881 put into reserve
CMS2 - Manager Community Development													
22172		Community Sponsorship Program - Op Exp - Other Governance	70,945	50,136	20,809	10,000	10,809	20,809					****CARRY-OVER: Remainder of the 2017-18 Community Sponsorship Allocation \$20.9 put into Comm Sponsorship Reserve****
23596		Transfer From Community Sponsorship Reserve Cap Inc - Other Gov									(20,809)	(20,809)	****CARRY-OVER: Remainder of the 2017-18 Community Sponsorship Allocation \$20.9 put into Comm Sponsorship Reserve****
22173		EDL sponsorship programme Reserve Funded - Op Exp - Other Governance	80,000	33,605	46,395	10,000	36,395	46,395					****CARRY-OVER: Remainder of 2017-18 Annual EDL Sponsorship program funded from EDL reserve. Exp 22173, Inc 23593 \$10K****
23593		Transfer From EDL Sponsorship Reserve - Cap Inc - Other Gov	(80,000)	(33,605)	(46,395)					(10,000)	(36,395)	(46,395)	****CARRY-OVER: Remainder of 2017-18 Annual EDL Sponsorship program funded from EDL reserve. Exp 22173, Inc 23593 \$10K****
CMS3 - Events & Economic Development Coordinator													
132060		Tourism Development - Op Exp - Tourism & Area Promotion	50,000	42,000	8,000	30,000	(22,000)	8,000					****CARRY-OVER: 2017-18 allocation of funding for applications for funding for events / initiatives which contribute strongly to economic and tourism development. Funded as part of Tourism Differential \$30K****
Total Proposed Carry Over - C&ED						8,951,133	(391,161)	8,559,972		(7,615,500)	192,479	(7,423,022)	
TOTAL PROPOSED CARRYOVER EXP/(INC)						14,071,550	(241,570)	14,003,437		(11,940,207)	124,770	(11,815,437)	
Net MUNI carryover						2,131,343		2,188,000					
less non cash items						0		0					
TOTAL MUNI carryover						2,131,343		2,188,000					
18/19 FAGS grants in advance in 17/18						1,599,708		1,438,384	Add FAGS back in		161,324		
ROADS TO RECOVERY received in advance						32,129		0					\$32,129 put into Road Reserve and moved to above
Total Muni Carryover						3,763,180		3,626,384					

## Item 5.1 - ANNUAL FINANCIAL REPORT &amp; AUDIT REPORT 2017/2018

## Attachment 4 - Surplus - CARRYOVER additional

Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/ (Deficit)	Proposed Carry Over Expenditure(\$)	Funding Source	Non Muni Funded Income Carryover (\$)	Comments
<b>Executive</b>									
<b>CS3 - Manager Human Resources</b>									
142232		LGIS Insurance Funded Expenses (Inc in 142393) - Op Exp - Corp Gov	125,015	66,062	58,953	124,106			***Carryover 2017-18 - 16-17 carryover unused \$11,715 + 17-18 \$112,390.24 income unused (Inc Act 142393)***
<b>Total Proposed Carry Over - Executive</b>						<b>124,106</b>		<b>0</b>	
<b>Corporate Services</b>									
<b>CS4 - Manager Governance</b>									
14295		Insurance Claimable Costs - Unclassified General	122,364	-	122,364	122,364	Insurance		***Carryover 2017-18 - Bowling Green Renewal (RFT18/04) additional costs as per OMC 31.5.18
147585		Reimbursement of Insurable Claimable Costs - Op Inc - Unclassified General	(122,364)	-	(122,364)			(122,364)	***8Carryover 2017-18 - Bowling Green Renewal (RFT18/04) additional costs as per OMC 31.5.18
<b>CS6 - Manager Information Technology</b>									
146111		IT Contract Consultants - Exp	111,000	58,055	52,945	52,945	Muni		***CARRY-OVER \$31,000 Digital Strategy Project 17-18***, \$21,945 GIS Services underspent. City of Swan no longer providing services. Going to tender for GIS consortium for NW WA in 18-19. Anticipate higher costs than \$80k annual budget allocated.
146110		Minor Assets<\$5000 - IT Exp	93,000	82,530	10,470	12,350			***CARRYOVER 2017-18 Penetration Testing PO84913 \$12,350 (Inv SYD-4310)
<b>Total Proposed Carry Over - Corporate Services</b>						<b>187,659</b>		<b>(122,364)</b>	
<b>Development Services</b>									
<b>HS1 - Manager Health &amp; Rangers</b>									
75020		Mosquito Control & Pest Control - Op Exp - Preventive Service-Pest Control	16,974	12,983	3,991	2,584	Muni		***CARRYOVER \$2584 FIMMWA 2016-17 funding unused. Transfer from reserve Acct 717599
717599		Transfer From Restricted Cash Reserve - Cap Inc - Health Service - Pest Control						(2,584)	***CARRYOVER \$2584 FIMMWA 2016-17 funding unused. Exp Acct 75020
52341		Reimb & Other Op Income - Emerg & Rang Serv	(251,000)	-	(251,000)			(251,000)	Budgets altered on 01.06.18 10:22 FACR Q3 - As per OMC 31 May 2018-Emergency Management response costs for 17-18 major wet events recouped through WANDRRA. Exp in jobs 52100 + 52101
<b>Total Proposed Carry Over - Dev Services</b>						<b>2,584</b>		<b>(253,584)</b>	

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

Attachment 4 - Surplus - CARRYOVER additional

Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/ (Deficit)	Proposed Carry Over Expenditure(\$)	Funding Source	Non Must Funded Income Carryover (\$)	Comments
<b>Infrastructure</b>									
<b>PK3 - Parks Coordinator</b>									
113550	113554	Herbert Park New Infra Const - Cap Exp	12,500	-	12,500	12,500			***CARRY-OVER 2017-18 PROJECT DIS180713***Pelican Gardens Playground Shade Sail.
<b>E53 - Manager Infrastructure / Plant Replacement Program</b>									
122415	122416	Flood Damage Repairs Consultant Expense - Op Exp	450,000	84,965	365,035	365,035			Natural Disaster costs
122430		Natural Disaster Grant - Flood Damage Repairs	(970,000)	-	(970,000)			(970,000)	Natural Disaster Grant
148611		Vehicle & Mob Plant Renewal(Replacement) - Cap Exp - Works Ops				46,000			***CARRY-OVER Plant replacement program.
148600		Proceeds from Sale of Assets - Cap Inc - Works Operations						(13,000)	Replacement of P10605 Pump Water \$6000, P1713 Isuzu D Max \$40k
148396		Loss On Sale Of Assets - Op Exp - Works Operations				3,167			***CARRYOVER 17-18 *** Sale of P1713
<b>E56 - Senior Project Engineer</b>									
104600	104695	Hamersley St Upgrade Drainage - Infa Cap Exp	585,000	425,666	159,334	159,334			***CARRY-OVER ADJUSTMENT PROJECT DIS180601 - Hamersley Napier Drainage. Funded from Drainage Reserve Inc acct 104480
104480		Transfer From Drainage Reserve - Urban Stormwater Drainage - Cap Inc		(35,666)	35,666			(159,334)	***CARRY-OVER ADJUSTMENT PROJECT DIS180601 - Hamersley Napier Drainage. Exp in acct 104695
<b>E59 - Manager Engineering</b>									
1181201		Jetty to Jetty Town Beach - Design/Plans/Feasibility - Op Exp Other Recreation & Sport	266,737	220,211	46,526	46,526			***CARRYOVER 2017-18 - Design and GEO technical works for new Town Beach Jetty. Outstanding PO82735
<b>Total Proposed Carry Over - Infrastructure</b>						<b>632,563</b>		<b>(1,142,334)</b>	
<b>Community &amp; Economic Development</b>									
<b>CM52 - Manager Community Development</b>									
23040		Youth Development Programme & Working Group - Op Exp - Other Governance MUN				6,545			***CARRYOVER 2017-18 Bankwest \$181.82, Aust Red Cross \$1363.64 and Dept Primary Industries & Regional Development - Kimberley Development \$5000 - Midnight Basketball grants/contributions
23049		Transfer From - Restricted Cash Reserve - Other Governance - Cap Inc MUN						(6,545)	Grants in reserve
<b>Total Proposed Carry Over - C&amp;ED</b>						<b>6,545</b>		<b>(6,545)</b>	

Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

Attachment 4 - Surplus - CARRYOVER additional

Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/ (Deficit)	Proposed Carry Over Expenditure(\$)	Funding Source	Non Muni Funded Income Carryover (\$)	Comments
		TOTAL PROPOSED CARRYOVER EXP/(INC)				953,456		(1,524,827)	
		Net MUNI carryover				(571,371)			
		less non cash items				3,167			
		TOTAL MUNI carryover				(574,538)			



Item 5.1 - ANNUAL FINANCIAL REPORT & AUDIT REPORT 2017/2018

Attachment 5 - Surplus - recommended allocation to new activities

Acct #	Job #	Description	Current Budget (\$)	Total YTD (\$)	2017-18 Surplus/ (Deficit)	Proposed Carry Over Expenditure (\$)	Non Muni Funded Income Carryover (\$)	Comments	EXP TYPE
<b>Executive</b>									
<b>ADMIN 1 - CEO</b>									
1181405		Town Beach Redevelopment - Greenspace & Waterpark - Cap Exp MUN	-		-	120,000		CEO Approved: 3 October 2018	
		<b>Total Proposed Carry Over - Executive</b>				<b>120,000</b>			
<b>Development &amp; Community Services</b>									
<b>CM52 - Manager Community Development</b>									
22177		LandCorp Bme North Community-Sponsorship Prog Grant Exps - Op Exp - Other Gov MUN			14,210	14,210		Landcorp Broome North Community Sponsorship Programme. Return of unspent funds from 5 year program (CEO Approved 3 October 2018)	OPERATING
		<b>Total Proposed Carry Over - Dev Services</b>				<b>14,210</b>	<b>0</b>		
		<b>TOTAL PROPOSED CARRYOVER EXP/(INC)</b>				<b>134,210</b>	<b>0</b>		
		<b>Net MUNI carryover</b>				<b>134,210</b>			
		<b>less non cash items</b>				<b>0</b>			
		<b>TOTAL MUNI carryover</b>				<b>134,210</b>			

<b>6. MATTERS BEHIND CLOSED DOORS</b>
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Nil

<b>7. MEETING CLOSURE</b>
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There being no further business the Chairman declared the meeting closed at 3.20pm.

Chairperson.....Date.....