



SPECIAL MEETING OF COUNCIL

05 April 2022

Attachments provided under separate cover.

- 1. Item 08.04.22 – ANNUAL REPORT FOR 2020-2021 FINANCIAL YEAR**
Attachment 08.04.22A – 2020/2021 Annual Financial Report
Attachment 08.04.22B – 2020/2021 Management Letter



PO Box 42, 14 White Street, Brookton WA 6306



9642 1106



mail@brookton.wa.gov.au



www.brookton.wa.gov.au



Shire of
Brookton
Growing the Future



Annual Report
2020/2021

Shire of Brookton

Ph: 08 9642 1106
www.brookton.wa.gov.au
mail@brookton.wa.gov.au

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Acknowledgement of Country

The BROOKTON community would like to acknowledge the traditional custodians of this land, Nyoongar People and pay respect to all Elders, past, present, and emerging. The Shire wishes to acknowledge and respect local people's continuing culture and the contribution they make to Country and its life.

Shire Mission and Vision

Shire of Brookton Mission

**To Sustain the Balance of BROOKTON+
To Build a Bigger Better BROOKTON**

BROOKTON Vision by 2027

BROOKTON is

***a well-recognised business and agricultural hub,
a flourishing stop-over destination, and
a celebrated place to live.***

Shire President Message

It is my pleasure to present the Shire of Brookton's Annual Report for 2020-21 on behalf of my fellow Councillors. It has been an honour and privilege to be able to serve as the Shire President, and continue the great work and achievements of the past financial year.

The entire financial year saw a continuation of the COVID 19 pandemic and whilst the Shire was not directly impacted by Covid outbreaks, it felt the ripple effects of what was occurring in the metropolitan area, the rest of Australia, and the world. Worker shortages, access to plant, machinery, and materials, and an increase in the cost of construction, was some of the negatives, whilst a positive has been a significant increase in tourists and travellers into the regions, providing a much-needed boost to businesses. The response by the Shire community was again outstanding and the positive response to the vaccination program has seen the Shire achieving one of the highest double dose rates in regional Western Australia. I was again this year so incredibly proud of our community, we came together, to do the right thing to get vaccinated, take care of our seniors and elderly and generally support each other.

In this financial year, like many other local governments throughout Australia, the Shire was very fortunate to receive further COVID 19 stimulus funds from the Federal Government. The Shire received a total of \$451,000, as part of the Local Roads and Community Infrastructure Phase 1 and 2 programs, which together with the \$500,000 Commonwealth Governments Drought Communities Fund, saw the Shire undertake major works and improvements to community facilities. Projects included two one-bedroom chalets and two, two-bedroom chalets (disability accessible), and upgrading the Campers kitchen, and Ablution facilities at the Caravan Park. Construction of the Youth and Men's Shed/Community Garden buildings, playground, and landscaping at the Caravan Park and footpath improvements in Lennard and Richardson Streets.

Council continued to be flexible and work together with the community through the progressing of the Integrated Planning and Reporting (IPR) process and the Innovations Pathway and the Next Generation BROOKTON Strategic Community Plan. Corporate Business Plan and the innovative Book of Ideas. The importance of the Brookton Memorial Hall and Brookton Railway Station building received a boost during the financial year with the Council appointing Architect Stephen Carrick to prepare concept designs and options for both buildings to allow the Council undertake community consultation and received feedback. Council has committed to a Refurbishment & Repurpose of the Brookton Memorial Town Hall, with the Railway Station still to have the community consultation period a final decision to be made. Council is committed to identifying possible sources of funding both internal and external, to ensuring the best possible outcomes for Next Generation BROOKTON. This is expected to be completed in the next financial year.

Council continued to support a number of programs and community organisations during the financial year through the Brookton Community Chest to the Brookton High School Chaplaincy (\$5,000), Brookton CWA (\$10,000), Brookton Historical Society (\$4,000) and Brookton Old Time Motor Show (\$10,000) as well as supporting the Brookton Country Club CSRFF funding application and the Brookton Business Advisory Group to help small businesses work together to deliver outcomes that benefit all, including how we can collaborate to achieve Brookton outcomes.

I wish to also extend Council's congratulations to the Australia Day Award recipients for the 2021 year.

- Citizen of the Year Award – Carol Bond
- Community Event of the Year Award – Brookton Choral Society: Kids Fun & Magic Afternoon

Thank you to my fellow Councillors for your support, and to the CEO and all the Staff who work hard to ensure that Brookton's vision becomes a reality.

Thank you to all who have contributed to the combined successes of 2020-21, I look forward to working with you to achieve Next Generation BROOKTON, ensuring Brookton is a community of choice for generations to come.

A handwritten signature in cursive script, appearing to read "K. Crute".

Katrina Crute
Shire President

Chief Executive Officer Message

I am pleased to present an update on the statutory reporting requirements and key achievements for the organisation during the 2020/21 financial year which has again presented a number of challenges, not the least being the continuation of COVID 19 pandemic, which in itself was not a direct impact on the Shire, but the fallout with closure of borders (State and Australia) and the significant allocation of stimulus funding from the State and Federal Governments, whilst great for the economy, has resulted in some serious challenges in getting trades to undertake Shire projects and containing costs in an escalating market.

Financial Management and Governance

The Office of the Auditor General (AOG) have again taken on the direct role of completing the audit on the Shire's financial management and governance functions, unlike many other local governments in the region where it's undertaken under contract for the AOG by private auditing firms. The final annual Audit Report by the AOG has identified several matters that will require actions to be taken by staff to ensure that the Shire continues to implement effective and robust procedures going forward, but overall, the Audit Report is satisfactory, which is a compliment to Shire staff.

The financial position of the Shire continues to remain strong with a \$1,443,371 surplus achieved at the 30 June 2021, with the prepayment of \$542,161 Federal Financial Assistance Grants, representing 50% of the expected 2021/22 allocation contributing to this surplus. Council has maintained a very healthy Reserve funds balance of \$11,626,742 at the 30 June 2021 which will be beneficial going forward as it will allow the Shire to utilise these funds to lever external funding for a number of major projects planned in future years.

A copy of the Annual Financial Report together with the Auditor's comments and findings for the 2020-21 financial year is appended to this report.

Key Statutory and Strategic Matters

Amendments to Local Government Act legislation in 2020 saw a requirement for the Shire to adopt Model Standards for CEO Recruitment, Performance and Termination and a new Code of Conduct for Council Members, Committee Members and Candidates, that will result in some complaints being dealt with the Council. There has also been a requirement for an increased level of documentation to be placed on the Shire website, including Councillor Compulsory Training, Gifts Register and Financial Interest Declaration Reports.

The endorsement by Council of the Brookton Recreation Precinct Plan and the provision of COVID 19 Stimulus funds from the Federal Government has allowed the Council to progress some of the projects identified in the Precinct Plan (projects outlined in Shire President's Message).

Council also endorsed the Draft Precinct Concept Layout Plan for the Brookton Nature Playground and Skatepark in February 2021 with some works already commenced on this project.

Key Assets

Road Works

The importance of maintenance and upgrading of roads in the Shire for the safe movement of vehicles including farm machinery and carting of grain continues to be a priority for the Council with the following roadworks undertaken in the 2020-21 financial year:

- Brookton – Kweda Road - reconstruction and seal, three (3) klms (\$432,500)
- York- Williams Road – second coat seal, three (3) klms (\$96,000)
- Brookton-Kweda – temporary seal (\$219,000)
- Bartram and Dale Kokeby Roads - gravel resheeting, two (2) klms (\$297,000)
- Headwall upgrades (\$25,000)
- Bridge Maintenance (\$75,000)
- Continued road maintenance grading works across the Shire’s unsealed road network (\$409,000)

Plant and Equipment

Council has continued its annual plant replacement program to ensure its plant and equipment is current, operational, and efficient, while attempting to minimise plant maintenance costs and down time which can impact on the ability to complete the road works programs each year. This has seen the acquisition of the following replacement (new for old) of major plant items:

- Purchase of John Deere 670GP Grader.
- Side Winder Reel Mower.
- Single cab utility

Other Works

The other works performed during the year includes:

- Parks and gardens maintenance.
- Memorial Park Upgrade
- Installation of disability ramp into Council chambers area

With the continuation of the COVID-19 pandemic during the financial year and the loss of staff, I take the opportunity to thank all other staff for their continued support and efforts and especially the support of the Councillors during what has been a difficult year that we all hope will be on the improve going forward



Gary Sherry
Chief Executive Officer

Council



Cr Katrina Crute
Shire President
Term expires: 2021

Mobile: 0439 373 282
Shire.President@brookton.wa.gov.au



Cr Neil Walker
Deputy Shire President
Term expires: 2023

Mobile: 0408 424 018
CrWalker@brookton.wa.gov.au



Cr Theresa Fancote
Councillor
Term expires: 2021

Mobile: 0418 914 705
CrFancote@brookton.wa.gov.au



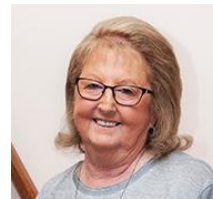
Cr Chris Hartl
Councillor
Term expires: 2023

Mobile: 0429 182 109
CrHartl@brookton.wa.gov.au



Cr Tamara Lilly
Councillor
Term expires: 2023

Mobile: 0419 111 300
CrLilly@brookton.wa.gov.au



Cr Gail Macnab
Councillor
Term expires: 2023

Mobile: 0456 226 674
CrMacnab@brookton.wa.gov.au



Cr Barry Watts
Councillor
Term expires: 2021

Mobile: 0435 751 713
CrWatts@brookton.wa.gov.au

Elected Member attendance at meetings

The below table outlines the number of Council and Committee meetings attended by each council member, during the 2020/2021 financial year.

Councillor	Council Meetings		Elector Meetings		Committee Meetings			
	Ordinary	Special	Annual	Special	Audit & Risk	BFAC	LEMC	Employment
Cr Katrina Crute Shire President	11	4	1	-	3	3	3	-
Cr Neil Walker Deputy Shire President	11	4	1	-	3	n/a	n/a	-
Cr Tamara Lilly	11	4	1	-	n/a	2	n/a	-
Cr Theresa Fancote	10	4	1	-	n/a	n/a	n/a	-
Cr Barry Watts	11	3		-	n/a	n/a	n/a	-
Cr Gail Macnab	10	3	1	-	3	n/a	3	-
Cr Chris Hartl	11	4	1	-	n/a	n/a	n/a	-

n/a refers to a Councillor who is not a member of that Committee, therefore did not attend any meetings.

Meeting Type	Number of meetings held in 2020/2021 year
Ordinary Meeting of Council	11
Special Meeting of Council	4
Annual Electors Meeting	1
Special Electors Meeting	0
Audit and Risk Committee	3
Bushfire Advisory Committee (BFAC)	3
Local Emergency Management Committee (LEMC)	3
Employment Committee	0

Meetings of Council: explained

Ordinary Meeting of Council

An ordinary meeting of the Council, held on a monthly basis, or otherwise as determined by the Council, is for the purpose of considering and dealing with ordinary business of the Council.

Special Meeting of Council

A special meeting of the Council is held for the purpose of considering and dealing with Council business that is urgent, complex in nature, for a particular purpose, or confidential.

Annual Electors Meeting

A general meeting of the electors of a district is to be held once every financial year. The purpose of the annual electors meeting is to discuss the contents of the annual report, and any other general business.

Special Electors Meeting

Special Meeting of Electors refers to a meeting held at the request of electors, or council members to discuss specific matters.

Audit and Risk Committee

This Committee is authorised to oversee and make recommendations to Council in respect to the organisation's fiscal and risk management, together with its governance and compliance through internal, and external auditing. The Committee's function is to also imbed a culture of continuous improvement across the operations of the Organisation.

Many of the key duties of this Committee are detailed in both the Local Government (Audit) Regulations, and the recently endorsed Terms of Reference by Council.

Bushfire Advisory Committee

This committee is to advise Council on all matters relating to: the prevention, controlling, and extinguishing of bushfires; prosecutions for breaches of the *Bush Fires Act 1954*; formation of bushfire brigades, the ensuring of co-operation and co-ordination in their efforts and activities of the bushfire brigades; and other matters relating to bushfire control.

Local Emergency Management Committee

This committee is to advise and assist the local government in ensuring that local emergency management arrangements are established for the Shire, and to liaise with public authorities and other persons in the development, review, and testing of local emergency management arrangements, as well as carry out other emergency management activities as directed by the State Emergency Management Committee (SEMC), or as prescribed by legislation and regulations.

The Local Emergency Management Committee is established in accordance with Section 38, of the *Emergency Management Act 2005*, which obligates local government to establish this Committee. The operational requirements for the Local Emergency Management Committee, are prescribed within this legislation.

Employment Committee

The Role of the employment committee is to: recruit and review the performance and salary of the Chief Executive Officer.

Council also has a policy that nominates the Shire President to contribute to the annual performance review process for nominated senior employee positions.

Shire Profile

The following information is general information about the Shire of Brookton. All specific enquiries should be directed to the Shire office during normal business hours.

Shire of Brookton Administration Centre

14 White Street
(P O Box 42)
BROOKTON WA 6306
Telephone: (08) 9642 1106
Email: mail@brookton.wa.gov.au

Shire of Brookton Works Depot

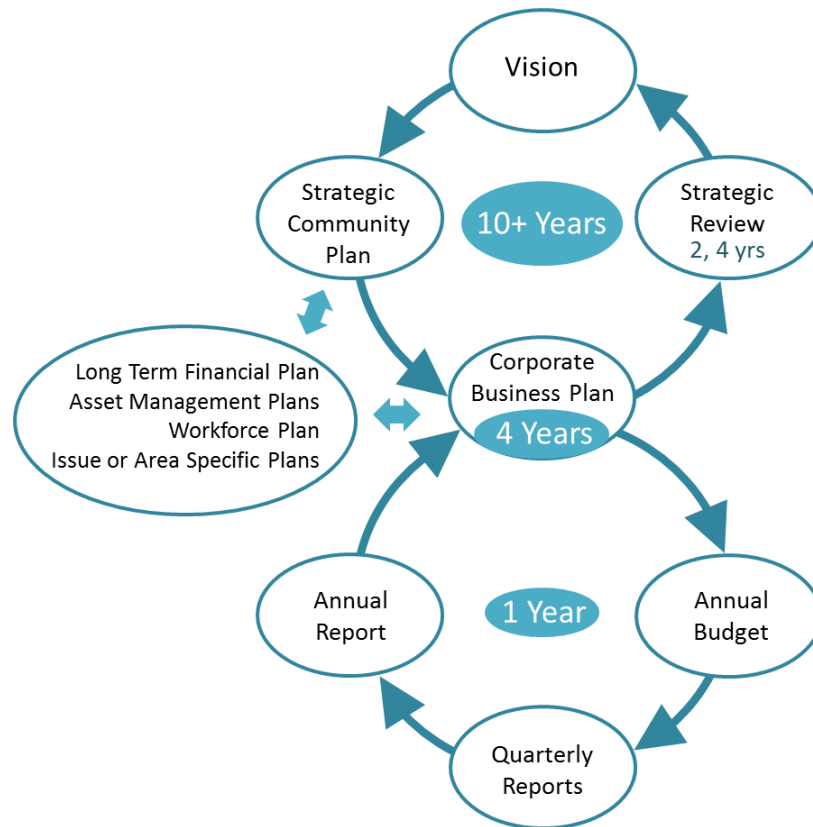
Richardson Street
(PO Box 42)
BROOKTON WA 6306
Telephone: (08) 9642 1144
Email: mail@brookton.wa.gov.au

Key Facts - Our Shire	
Area	1,626 square Kilometres
Population	975 (as at 2016 Census)
Median Age	48 (as at 2016 Census)
Number of Dwellings	506 (as at 2016 Census)
Number of Council Employees	23
Number of Elected Members	7
Distance from Perth	138 kilometres
Length of Roads - Sealed	205 kilometres
Length of Roads - Unsealed	438 kilometres



Integrated Planning and Reporting (IPR)

During November 2020, the Council reviewed its IPR framework aligned to legislative requirements under Section 5.56(1) and (2) of the *Local Government Act, 1995*. This legislation requires each local government to prepare a 'plan for the future' of its district by developing an arrange of plans in accordance with the *Local Government (Administration) Amendment Regulation (No. 2) 2011*; Division 3 – Planning for the Future. Following is a diagram providing understanding of the IPR framework.



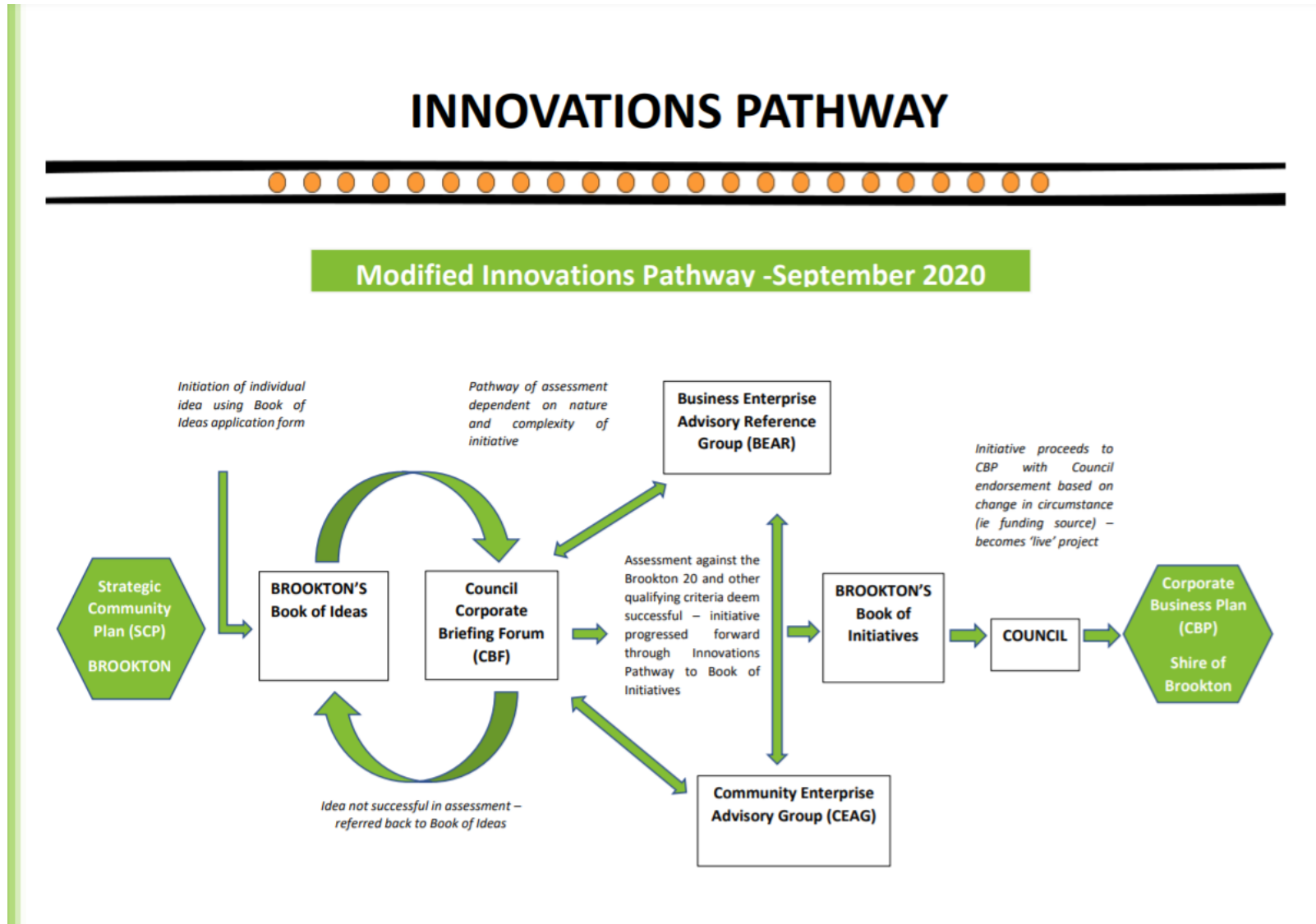
IPR Framework sourced from the Western Australian Department of Local Government IPR Guidelines 2016

Specifically, the following is a list of projects under the Council's Corporate Business Plan (reviewed November 2020) that affords an understanding of the progress achieved during the 2020-21 financial year.

Major Projects	Facilitator	Proponent	Progress
BROOKTON Regional Wellness Hub	✓		This proposal has been parked during 2020/21, due to the unplanned Commonwealth Grant funding received by the Shire of Brookton.
Brookton Multipurpose Function Centre – Refurbished, Restored or New		✓	Architectural design options were prepared, and the BROOKTON community was consulted, reaching a decision on refurbishment and additions to the existing Brookton Memorial Hall.
Brookton Short-stay Accommodation	✓	✓	The accommodation village is promoted as an extension to the Brookton Caravan Park for short stay / seasonal accommodation. During the 2020/21 financial year, the Shire purchased, and received delivery of 2 x 2-bedroom disability access, self-contained, Chalet units, which was made possible by the Shire receiving Commonwealth Grant funding.
Brookton Cultural Community and Recreation Precincts		✓	This proposal has indicatively been identified on Reserve 43158 Management Plan adjacent to the Brookton Aquatic Centre and fronting Brookton Highway – some upgrades have been undertaken within the Reserve, including upgrades to the Youth Precinct, with the delivery of 2 x community sheds (Youth: Youth Group/Girl Guides & Men's Shed/Community Garden shared space)
BROOKTON Innovative Farming	✓		This initiative has been stalled due to other governance priorities and the onset of the COVID-19 pandemic.
BROOKTON Rental Housing Program	✓		Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
BROOKTON Sustainable Energy Generation	✓		Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
BROOKTON Commercial/Industrial Hub – includes new Shire Works Depot	✓	✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
Brookton Railway Station Development	✓	✓	This initiative is pending assessment of the Brookton Railway Station, and a discussion with the BROOKTON community on the future direction. Architectural design options are to be prepared, and community consultation to be progressed in 2021/2022.

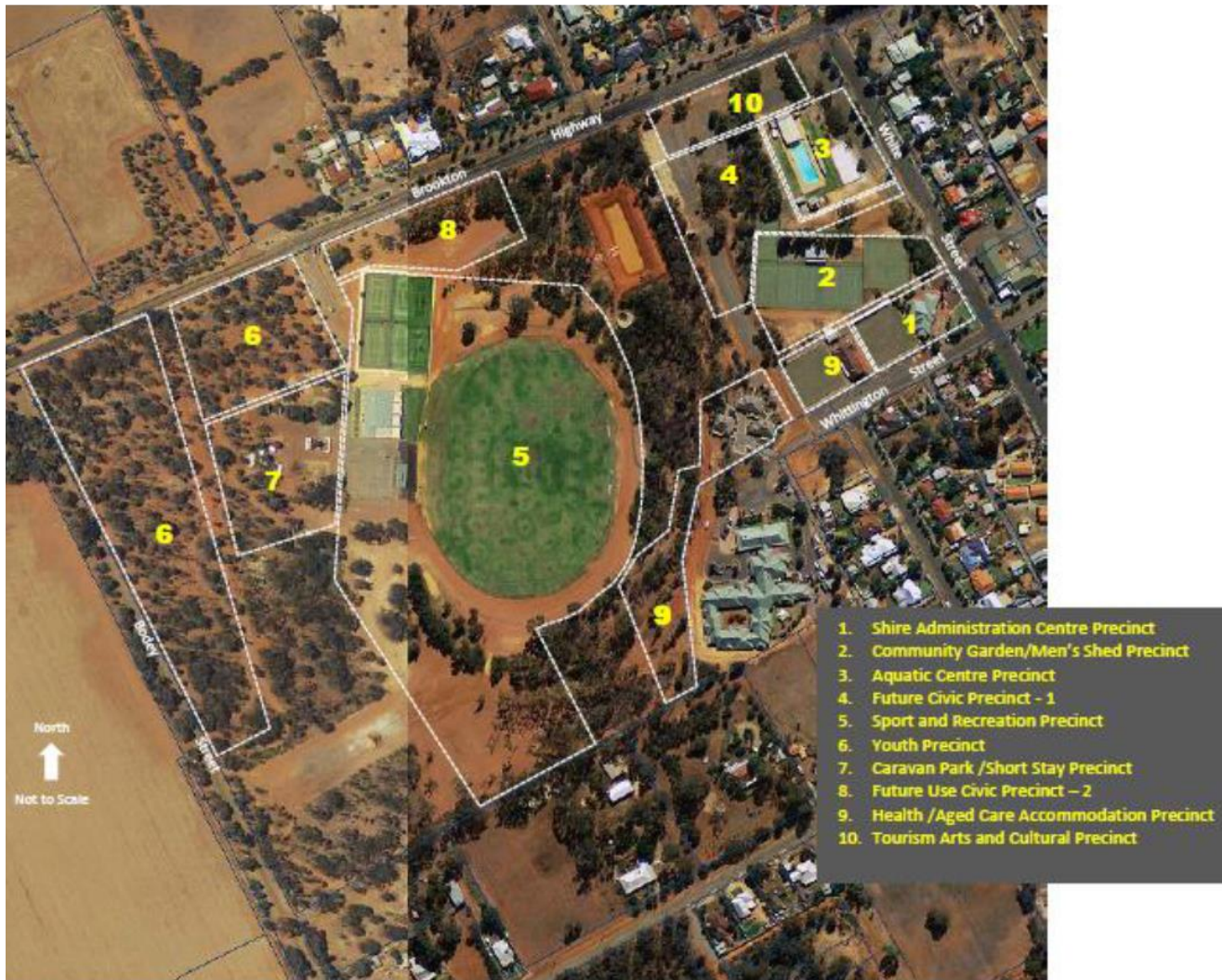
Minor Projects	Facilitator	Proponent	Progress
BROOKTON Lifestyle Land Release		✓	The Council has 'parked' this initiative in favour of a private developer.
Brookton Public Art	✓		Little progress has been initiated on this proposal other than preliminary discussion, with further consideration to be given to promoting artwork through the IPR Advisory Groups.
BROOKTON Gym Relocation to Aquatic Centre		✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
BROOKTON Overarching Town Strategy		✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
Brookton Astro Tourism	✓		Little progress has been initiated on this proposal, with further consideration to be given to promoting through the IPR Advisory Groups.
Brookton RV Access (on both sides of Railway Line)		✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
Brookton Community Car		✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
Brookton Cultural Walk Trails		✓	Little progress has been initiated on this proposal. Due to the unexpected grant funding received due to the COVID-19 stimulus funding from the Commonwealth.
Brookton Town Entry Statement Town Signage		✓	Minor progress was made on this proposal, with design options drafted and preliminary quotes received. Due to the unexpected grant funding received due to the COVID-19 stimulus funding, Council agreed to part this proposal at this stage.
Brookton Welcome Pack/New Resident and Caravan Park/Tourism		✓	The Brookton Welcome Pack, and New Resident pack as had little progress, due to change in staff and COVID-19 stimulus funding. A Caravan Park welcome pack is being created for placement within the Chalet Units and for visiting caravanners.

Additionally, the “Innovation Pathway’ process (as illustrated in the flow diagram below) continued to build capacity through review of suggested projects, presented to the “Book of Ideas”.



Shire of Brookton Corporate Business Plan – Revised Innovations Pathway Flow Diagram

Management Plan for Crown Reserve 43158, this Plan allocates designated precincts that will assist in guiding future development and use of the Reserve, including the accommodation of some of the ideas filtering through the Innovations Pathway process. An understanding of the designated precincts is presented in the following graphic extracted from the Reserve Management Plan.



Designated Precincts - Reserve 43158 Management Plan

Central to this Plan was the spatial allocation at a 'Precinct' level of various uses, including better definition of a Youth Precinct (No.6), the Caravan Park and Seasonal Workers' Accommodation Precinct (No.7), a new Community Garden and Men's Shed Precinct (No.2), a future Cultural Precinct (No.10), and future expansion of a Wellness Hub/Aged Accommodation Precinct (No.9).

To date, the adoption of this Plan has aided the Shire to secure and allocate grant funding to assist in implementing or enhancing of some of these defined Precincts, such as development of a BMX track, improvements to the Brookton Caravan Park with the addition of self-contained short-stay accommodation, a new Men's Shed and Community Garden building, and a co-located Youth and Girl Guides building, that were delivered in the 2020-21 financial year.

Another area of focus, but has been lagging under the IPR framework, is the Shire’s Asset Management Framework in 2020-21. The Shire is cognisant of this shortcoming and is continuing to attend to its asset management responsibilities across all classes, including the road network, and bridges, drainage, and footpaths, building and other structures, although this process is taking longer and is more resource intensive than expected. It is projected with the process conducted correctly that the asset management should be finalised in 2022, inclusive of review and update of the Council’s Asset Management Policy, Asset Management Strategy, and specific Asset Management Plans across respective classes of assets. The following diagram illustrates the integrated framework applicable to the Asset Management processes.

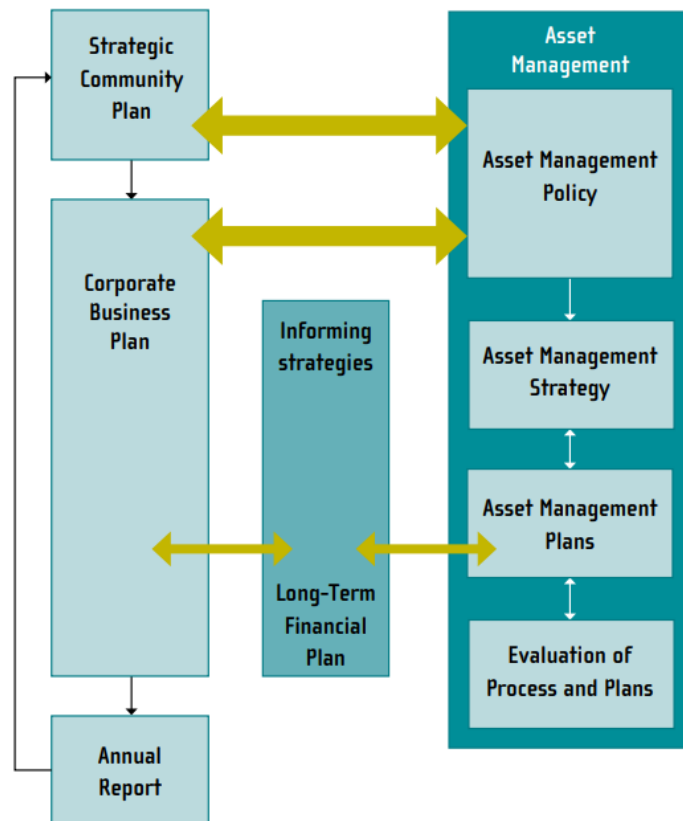


Figure 2-1 sourced from the Western Australian Department of Local Government’s Asset Management Framework and Guidelines

The Long-Term Financial Plan that affords a 10 year fiscal projection for the Shire will then be informed by the Asset Management Plan and compiled to guide the compilation of future annual budgets, and Council is progressing towards the combined documents, to produce the Strategic Resource Plan.

Other Statements

State Records Act 2000

The Shire received an extension from the State Records Office (SRO), to review its Recordkeeping Plan, until February 2020, with this being further extended to December 2020. In the 2018-19 financial year, the Shire commenced the process of investing in an Electronic Document and Records Management System (EDRMS) platform to capture electronic records, and information that is compatible with the existing Synergy software used for the Shire's financial management. As a result of this major change to the capture and storage of information, and records, the recordkeeping plan required total review that is scheduled to be completed in line with the extension granted by the SRO board.

The Shire had subsequently acquired the new Altus IT Records module, towards the end of the 2019/2020 financial year, and has been working on the framework to transfer all of the records data, as well as update its records plan.

The Shire adopted the Shire of Brookton Records Keeping Plan 2020-2025, and now has a formal document which staff are utilising, along with the final endorsement from the State Records Office. The Shire is now compliant with the requirements under legislation.

National Reform Agenda (Previously known as the National Competition Policy)

The *Competition Policy Reform Act 1995* was initially set up to detail the principles by which all levels of governments would ensure anti-competitive practices as part of their operations. Local Government falls under these principles.

The main aim of the National Reform Agenda (NRA) is to further boost competition, productivity and the efficient functioning of markets building on the works done previously by the National Competition Policy (NCP) principles.

The Shire, when developing its local laws and policies, needs to consider the principles of the NCP and NRA, particularly in relation to its procurement practices and 'buy local' approach. The Shire has no policies or local laws that contain anti-competitive provisions. No complaints were received by the Shire in the 2020-21 financial year for anti-competitive practices, rather it has adhered to a competitive approach to achieve value for money.

Official Conduct Report

Under Section 5.121 of the *Local Government Act, 1995* the Shire is required to disclose if any complaints were made regarding elected members conduct. There was two (2) minor misconduct allegations made to the Public Sector Commission, these were against two (2) Elected Members, and involved the non-lodgement of the Primary Financial Return documents, within the required timeframe. The decision was that no sanction be imposed upon the Elected Members.

Register of Certain Complaints and Minor Breaches

Section 5.121 of the *Local Government Act 1995*, requires a local government to maintain a register of complaints that result in an action, or a finding, under section 5.110(2)(a) of the *Local Government Act 1995*. During the 2020/21 financial year, there was no complaints where an action or finding was determined.

An up-to-date register is available on the Shire's website at:

<https://www.brookton.wa.gov.au/council/council/complaints-register-20202021.aspx>



Annual Financial Report 2020-21

SHIRE OF BROOKTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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SHIRE'S VISION

BROOKTON is
a well recognised business and agricultural hub,
a flourishing stopover destination, and
a celebrated place to live.

Principal place of business:
14 White Street (PO Box 42) Brookton WA 6306
Phone: (08) 9642 1106
E-mail: mail@brookton.wa.gov.au
Web: www.brookton.wa.gov.au

**SHIRE OF BROOKTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Brookton for the financial year ended 30 June 2021 is based on proper accounts and records to present fairly the financial position of the Shire of Brookton at 30 June 2021 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 25th day of March 2022



Chief Executive Officer



Name of Chief Executive Officer

SHIRE OF BROOKTON
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Rates	24(a)	2,329,557	2,323,565	2,279,697
Operating grants, subsidies and contributions	2(a)	1,168,354	1,167,520	1,192,147
Fees and charges	2(a)	656,393	682,778	655,250
Interest earnings	2(a)	143,477	130,111	121,464
Other revenue	2(a)	253,734	197,836	143,556
		4,551,515	4,501,810	4,392,114
Expenses				
Employee costs		(1,852,539)	(1,911,012)	(1,574,632)
Materials and contracts		(1,299,405)	(1,531,907)	(1,668,495)
Utility charges		(153,257)	(177,631)	(167,962)
Depreciation on non-current assets	10(b)	(3,066,960)	(2,781,490)	(2,825,015)
Interest expenses	2(b)	(67,234)	(76,411)	(107,067)
Insurance expenses		(174,637)	(193,031)	(180,085)
Other expenditure		(118,842)	(112,453)	(8,576)
		(6,732,874)	(6,783,935)	(6,531,832)
		(2,181,359)	(2,282,125)	(2,139,718)
Non-operating grants, subsidies and contributions	2(a)	1,547,479	740,579	542,656
Profit on asset disposals	10(a)	0	12,000	47,868
(Loss) on asset disposals	10(a)	(125,995)	(103,789)	(53,638)
		1,421,484	648,790	536,886
Discontinued Operations				
Profit/(Loss) on discontinued Operations	28	0	0	367,523
Net result for the period		(759,875)	(1,633,335)	(1,235,309)
Total comprehensive income for the period		(759,875)	(1,633,335)	(1,235,309)

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

SHIRE OF BROOKTON
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
Revenue				
Governance	2(a)	94,574	43,050	65,328
General purpose funding		3,503,958	3,519,741	3,485,408
Law, order, public safety		162,471	141,930	44,361
Health		205	300	928
Education and welfare		66,586	68,982	89,206
Housing		94,618	87,278	100,046
Community amenities		391,925	423,838	382,586
Recreation and culture		37,037	39,131	47,298
Transport		91,195	90,710	88,944
Economic services		58,381	53,150	48,301
Other property and services		50,565	33,700	39,708
		4,551,515	4,501,810	4,392,114
Expenses				
Governance	2(b)	(487,883)	(520,520)	(528,710)
General purpose funding		(301,935)	(331,264)	(185,315)
Law, order, public safety		(387,176)	(508,549)	(183,481)
Health		(19,904)	(22,031)	(47,701)
Education and welfare		(138,042)	(165,257)	(292,651)
Housing		(152,252)	(192,037)	(160,140)
Community amenities		(422,580)	(555,032)	(466,341)
Recreation and culture		(881,957)	(873,954)	(926,852)
Transport		(3,365,136)	(2,975,508)	(3,233,528)
Economic services		(162,644)	(183,296)	(193,640)
Other property and services		(346,132)	(380,074)	(206,406)
		(6,665,640)	(6,707,522)	(6,424,765)
Finance Costs				
Governance	2(b)	0	0	(9,461)
General purpose funding		(14,408)	(16,106)	(31,893)
Education and welfare		(3,237)	(3,889)	(4,240)
Housing		(5,342)	(6,418)	(6,996)
Community amenities		(3,076)	(3,533)	(3,825)
Recreation and culture		(35,829)	(40,047)	(43,656)
Other property and services		(5,342)	(6,418)	(6,996)
		(67,234)	(76,411)	(107,067)
		(2,181,359)	(2,282,123)	(2,139,718)
Non-operating grants, subsidies and contributions	2(a)	1,547,479	740,579	542,656
Profit on disposal of assets	10(a)	0	12,000	47,868
(Loss) on disposal of assets	10(a)	(125,995)	(103,789)	(53,638)
		1,421,484	648,790	536,886
Discontinued Operations				
Profit/(Loss) on discontinued Operations	28	0	0	367,523
Net result for the period		(759,875)	(1,633,333)	(1,235,309)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Total comprehensive income for the period		(759,875)	(1,633,333)	(1,235,309)

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



SHIRE OF BROOKTON
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021	2020
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	12,759,448	12,944,172
Trade and other receivables	6	120,462	127,487
Other financial assets	5(a)	24,414	22,801
Inventories	7	239,610	228,848
TOTAL CURRENT ASSETS		13,143,934	13,323,308
NON-CURRENT ASSETS			
Trade and other receivables	6	44,270	40,623
Other financial assets	5(b)	228,614	308,980
Property, plant and equipment	8	17,937,523	17,107,049
Infrastructure	9	67,261,760	68,915,164
Right of use assets	11(a)	24,114	24,426
TOTAL NON-CURRENT ASSETS		85,496,281	86,396,243
TOTAL ASSETS		98,640,215	99,719,551
CURRENT LIABILITIES			
Trade and other payables	13	123,977	363,250
Lease liabilities	14(a)	1,419	1,372
Borrowings	15(a)	133,671	254,174
Employee related provisions	16	250,466	179,654
TOTAL CURRENT LIABILITIES		509,533	798,450
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	22,019	23,437
Borrowings	15(a)	811,445	816,371
Employee related provisions	16	59,233	83,434
TOTAL NON-CURRENT LIABILITIES		892,697	923,242
TOTAL LIABILITIES		1,402,230	1,721,692
NET ASSETS		97,237,985	97,997,859
EQUITY			
Retained surplus		13,634,841	13,888,208
Reserves - cash backed	4	11,626,742	12,133,250
Revaluation surplus	12	71,976,402	71,976,402
TOTAL EQUITY		97,237,985	97,997,860

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

SHIRE OF BROOKTON
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2019		22,003,293	5,253,474	71,976,402	99,233,169
Comprehensive income					
Net result for the period (restated)		(1,235,309)	0	0	(1,235,309)
Total comprehensive income		(1,235,309)	0	0	(1,235,309)
Transfers from reserves	4	1,344,695	(1,344,695)	0	0
Transfers to reserves	4	(8,224,471)	8,224,471	0	0
Balance as at 30 June 2020		13,888,208	12,133,250	71,976,402	97,997,860
Comprehensive income					
Net result for the period		(759,875)	0	0	(759,875)
Total comprehensive income		(759,875)	0	0	(759,875)
Transfers from reserves	4	3,773,514	(3,773,514)	0	0
Transfers to reserves	4	(3,267,006)	3,267,006	0	0
Balance as at 30 June 2021		13,634,841	11,626,742	71,976,402	97,237,985

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

SHIRE OF BROOKTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,333,089	2,379,674	2,291,345
Operating grants, subsidies and contributions		1,155,967	1,217,374	3,481,392
Fees and charges		656,393	682,778	655,250
Interest received		143,477	130,111	121,464
Goods and services tax received		282,813	12,293	504,501
Other revenue		198,734	197,836	143,555
		4,770,473	4,620,066	7,197,507
Payments				
Employee costs		(1,805,928)	(1,911,012)	(1,595,130)
Materials and contracts		(1,549,438)	(1,878,967)	(3,808,509)
Utility charges		(153,257)	(177,631)	(167,962)
Interest expenses		(67,234)	(90,518)	(107,067)
Insurance paid		(174,637)	(193,031)	(180,085)
Goods and services tax paid		(270,580)	0	(516,793)
Other expenditure		(118,842)	(112,453)	(8,576)
		(4,139,916)	(4,363,612)	(6,384,122)
Net cash provided by (used in) operating activities	17	630,557	256,454	813,385
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(1,477,659)	(797,500)	(819,270)
Payments for construction of infrastructure	9(a)	(1,025,054)	(1,496,247)	(1,132,292)
Non-operating grants, subsidies and contributions	2(a)	1,547,479	740,579	542,656
Payments for financial assets at amortised cost - self supporting loans		110,953		
Proceeds from financial assets at amortised cost - self supporting loans		22,801	22,801	21,296
Proceeds from sale of property, plant & equipment	10(a)	133,000	145,000	7,256,521
Net cash provided by (used in) investment activities		(688,480)	(1,385,367)	5,868,911
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(125,429)	(125,428)	(254,174)
Payments for principal portion of lease liabilities	14(b)	(1,371)	(1,372)	(1,324)
Net cash provided by (used in) financing activities		(126,800)	(126,800)	(255,498)
Net increase (decrease) in cash held		(184,723)	(1,255,713)	6,426,798
Cash at beginning of year		12,944,172	12,944,172	6,517,374
Cash and cash equivalents at the end of the year	17	12,759,448	11,688,459	12,944,172

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

**SHIRE OF BROOKTON
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 Actual \$	2021 Budget \$	2020 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	25(b)	915,189	412,583	1,133,017
		915,189	412,583	1,133,017
Revenue from operating activities (excluding rates)				
Governance		94,574	43,050	66,064
General purpose funding		1,211,921	1,196,176	1,205,711
Law, order, public safety		162,471	141,930	44,361
Health		205	300	928
Education and welfare		66,586	68,982	89,206
Housing		94,618	87,278	100,046
Community amenities		391,925	423,838	382,586
Recreation and culture		37,037	39,131	47,298
Transport		91,195	90,710	88,944
Economic services		58,381	53,150	48,301
Other property and services		50,565	45,700	86,840
		2,259,478	2,190,245	2,160,285
Expenditure from operating activities				
Governance		(487,883)	(534,766)	(555,535)
General purpose funding		(316,343)	(347,370)	(217,208)
Law, order, public safety		(387,176)	(508,549)	(183,481)
Health		(19,904)	(22,031)	(47,701)
Education and welfare		(141,279)	(169,146)	(313,173)
Housing		(157,594)	(198,455)	(167,136)
Community amenities		(425,656)	(558,565)	(470,166)
Recreation and culture		(917,786)	(914,001)	(970,509)
Transport		(3,365,136)	(2,975,508)	(3,233,528)
Economic services		(162,644)	(183,296)	(193,640)
Other property and services		(477,469)	(476,035)	(233,394)
		(6,858,869)	(6,887,722)	(6,585,471)
Non-cash amounts excluded from operating activities	25(a)	3,134,308	2,873,279	2,826,501
Amount attributable to operating activities		(549,894)	(1,411,615)	(465,668)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	1,547,479	740,579	542,656
Proceeds from disposal of assets	10(a)	133,000	145,000	7,256,521
Proceeds from financial assets at amortised cost - self supporting loans		22,801	22,801	21,296
Payments for financial assets at amortised cost - self supporting loans		110,953	0	0
Purchase of property, plant and equipment	8(a)	(1,477,659)	(797,500)	(819,270)
Purchase and construction of infrastructure	9(a)	(1,025,054)	(1,496,247)	(1,132,292)
Amount attributable to investing activities		(688,480)	(1,385,367)	5,868,911
Discontinued Operations				
Profit/(Loss) on discontinued Operations	28	0	0	367,523
FINANCING ACTIVITIES				
Repayment of borrowings	15(b)	(125,429)	(125,428)	(254,174)
Payments for principal portion of lease liabilities	14(b)	(1,371)	(1,372)	(1,324)
Transfers to reserves (restricted assets)	4	(3,267,006)	(3,287,089)	(8,224,471)
Transfers from reserves (restricted assets)	4	3,773,514	3,887,306	1,344,695
Amount attributable to financing activities		379,708	473,417	(7,135,274)
Surplus/(deficit) before imposition of general rates		(858,666)	(2,323,565)	(1,364,508)
Total amount raised from general rates	24(a)	2,292,037	2,323,565	2,279,697
Surplus/(deficit) after imposition of general rates	25(b)	1,433,371	0	915,189

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

SHIRE OF BROOKTON
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FOR THE YEAR ENDED 30 JUNE 2021

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SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

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 financial 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.

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of these monies appears in Note 29 to these financial statements.

INITIAL APPLICATION OF 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.

These were:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Materiality*

The adoption of these standards had no material impact on the financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- Employee expenses
- Land held for resale
- Other financial assets
- Property, Plant and Equipment
- Infrastructure
- Right-of-use assets
- Lease liabilities
- Borrowing liabilities
- Provisions

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	Timing of revenue recognition until 30 June 2021	Timing of revenue recognition from 1 July 2020
Rates	General rates & rates charged for specific defined purposes.	When rates notice is issued.	When rates notice is issued.
Operating Grants, Subsidies and Contributions	Community events, minor facilities, research, design, planning evaluation and services.		Income from grants that are enforceable and with sufficiently specific performance obligations is recognised when the Shire satisfies its obligations in the grant agreement.
	General appropriations and contributions with no reciprocal commitment.	On receipt of funds.	Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Shire has an unconditional right to receive cash which usually coincides with receipt of cash.
Non-Operating Grants, Subsidies and Contributions	Construction or acquisition of recognisable non-financial assets to be controlled by the local government.	On receipt of funds.	Capital grants are recognised as income when the Shire satisfies its obligations in the grant agreement.
Fees and Charges	Building, planning, development and animal management, having the same nature as a licence regardless of naming. Compliance safety check. Regulatory food, health and safety. Kerbside collection service. Waste treatment, recycling and disposal service at disposal sites. Gym and pool membership. Cemetery services, library fees, reinstatements and private works. Fines issued for breaches of local laws.	When fee or charge is raised in relation an event or service occurring, or upon receipt of funds.	At a point in time (or over a relatively short period of time) when the services have been provided and payments are received.
	Miscellaneous Refunds and Reimbursements	When the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably, or upon receipt of funds.	At a point in time when the goods have been transferred and payments are received, or upon receipt of funds.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	1,021,123	1,050,670	1,067,651
Law, order, public safety	60,503	31,940	41,295
Recreation and culture	1,818	0	0
Transport	84,910	84,910	83,201
	1,168,354	1,167,520	1,192,147
Non-operating grants, subsidies and contributions			
General purpose funding	804,742	0	0
Law, order, public safety	153,559	146,946	17,056
Recreation and culture	21,798	0	4,730
Transport	567,380	593,633	520,870
	1,547,479	740,579	542,656
Total grants, subsidies and contributions	2,715,833	1,908,099	1,734,803
Fees and charges			
Governance	11,765	3,050	9,740
General purpose funding	6,845	7,200	7,695
Law, order, public safety	4,935	3,550	3,066
Health	205	300	236
Education and welfare	65,686	68,382	68,653
Housing	88,514	81,278	94,435
Community amenities	391,925	423,838	382,586
Recreation and culture	31,569	34,330	27,511
Economic services	53,085	50,150	48,300
Other property and services	1,864	10,700	13,028
	656,393	682,778	655,250

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

Fees and Charges

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Fees and charges	656,392	682,778	655,250
Non-operating grants, subsidies and contributions	1,547,479	740,579	542,656
	<u>2,203,871</u>	<u>1,423,357</u>	<u>1,197,906</u>
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Other revenue from contracts with customers recognised during the year	656,392	682,778	655,250
Other revenue from performance obligations satisfied during the year	1,547,479	740,579	542,656
	<u>2,203,871</u>	<u>1,423,357</u>	<u>1,197,906</u>
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	64,394	0	0

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at 30 June 2021.

Assets associated with contracts with customers were not subject to an impairment charge.

Contract liabilities for contracts with customers primarily relate to grants with performance obligations received in advance, for which revenue is recognised over time as the performance obligations are met.

Information is not provided about remaining performance obligations for contracts with customers that had an original expected duration of one year or less.

Consideration from contracts with customers is included in the transaction price.

Performance obligations in relation to contract liabilities from transfers for recognisable non financial assets are satisfied as project milestones are met or completion of construction or acquisition of the asset. All associated performance obligations are expected to be met over the next 12 months.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

Revenue from statutory requirements was recognised during the year for the following nature or types of goods or services:

	2021 Actual \$	2021 Budget \$	2020 Actual \$
General rates	2,292,037	2,285,965	2,255,968
Statutory permits and licences	7,812	0	0
Fines	550	0	0
	2,300,399	2,285,965	2,255,968

Other revenue

Reimbursements and recoveries	177,200	197,836	0
First-time recognition of investment in Local Government House Trust	55,000	0	0
Other	21,534	0	143,556
	253,734	197,836	143,556

Interest earnings

Financial assets at amortised cost - self supporting loans	14,408	18,611	16,117
Interest on reserve funds	111,824	95,000	87,987
Rates instalment and penalty interest (refer Note 24(c))	17,042	16,500	17,360
Other interest earnings	203	0	0
	143,477	130,111	121,464

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

(b) Expenses

Auditors remuneration

	2021 Actual \$	2021 Budget \$	2020 Actual \$
- Audit fees	49,500	48,000	49,500
	49,500	48,000	49,500

The audit fee for the 2020/21 Annual Financial Report is \$51,000

Interest expenses (finance costs)

	2021 Actual \$	2021 Budget \$	2020 Actual \$
Borrowings	66,424	75,601	106,210
Lease liabilities	810	810	857
	67,234	76,411	107,067

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

3. CASH AND CASH EQUIVALENTS

NOTE	2021 \$	2020 \$
Cash at bank and on hand	1,132,706	810,922
Term deposits	11,626,742	12,133,250
Total cash and cash equivalents	12,759,448	12,944,172
Restrictions		
requirements which limit or direct the purpose for which the resources may be used:		
- Cash and cash equivalents	11,626,742	12,133,250
	11,626,742	12,133,250

The restricted assets are a result of the following specific purposes to which the assets may be used:

Reserves - cash backed	4	11,626,742	12,133,250
Total restricted assets		11,626,742	12,133,250

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Restricted assets

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

**SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

In accordance with Council resolutions or adopted budget 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
(a) Reserves cash backed - Leave Reserve	Ongoing	This reserve is for the funding of annual and long service leave requirements
(b) Plant and Vehicle Reserve	Ongoing	This reserve is for the purchase of major items in the Shire's plant and vehicle replacement program. Inclusive of the Community Bus
(c) Land and Housing Development Reserve	Ongoing	This reserve is for the construction, acquisition, renewal or upgrading of housing and land development to meet present and future requirements.
(d) Furniture & Equipment Reserve	Ongoing	This reserve is for the replacement of major items of furniture and equipment.
(e) Municipal Building & Facility Reserve	Ongoing	This reserve is for the construction, demolition, acquisition, renewal or upgrade of Shire owned Public and Community buildings and facilities.
(f) Townscape & Footpath Reserve	Ongoing	This reserve is for the cost of major works to construct and upgrade footpaths and general townscape works
(g) Sewerage Scheme Reserve	Ongoing	This reserve is to fund the expansion, ongoing renewal, maintenance and asset management needs of the Brookton Sewerage Scheme.
(h) Road & Bridges Infrastructure Reserve	Ongoing	This reserve is for the construction and upgrade of roads and bridges within the Shire.
(i) Health & Wellbeing Reserve	Ongoing	This reserve is for funding of initiatives in relation to Community Health & Wellbeing.
(j) Sport & Recreation Reserve	Ongoing	This reserve is to fund new, renewal, upgrades, or major maintenance of sporting and recreation infrastructure.
(k) Rehabilitation & Refuse Reserve	Ongoing	This reserve is to fund the rehabilitation or major upgrades of the Brookton Refuse Site and or to rehabilitate former Gravel Pits.
(l) Caravan Park Reserve	Ongoing	This reserve has been merged with the Health & Wellbeing reserve
(m) Brookton Museum/Heritage Reserve	Ongoing	This reserve is to be used to fund any upgrades or major maintenance of the Brookton Historical Museum.
(n) Kweda Hall Reserve	Ongoing	This reserve is to be used to fund any upgrades or major maintenance on the Kweda Hall.
(o) Aldersyde Hall Reserve	31/08/2020	This reserve was transferred to the Aldersyde Committee upon their incorporation to refurbish the kitchen and ablutions.
(p) Railway Station Reserve	Ongoing	This reserve is to be used to fund any upgrades or major maintenance on the Brookton Railway Station and/or Platform
(q) Madison Square Units Reserve	Ongoing	This reserve is to be used to fund any upgrades or major maintenance on the Madison Square Units.
(r) Cemetery Reserve	Ongoing	This reserve is to be used to fund any upgrades or major maintenance on the Brookton Cemetery.
(s) Water Reserve	Ongoing	This reserve is to fund renewal, upgrades or major maintenance of the water scheme infrastructure under the control of the Shire.
(t) Developer Contribution Reserve	Ongoing	This reserve is to hold contributions applied to a development via a Development Application or Subdivision Approval pending determination by Council of its application to the specific works.
(u) Brookton Aquatic Reserve	Ongoing	This reserve is to fund the renewal, replacement, upgrades or major maintenance of the Brookton Aquatic Centre.
(v) Cash Contingency Reserve	Ongoing	This reserve is to cover unexpected shortfalls in operational funding should the need arise.
(w) Future Fund Reserve	Ongoing	This reserve is primarily set aside for investment. It is anticipated this fund will be preserved in perpetuity.
(x) Innovations Fund Reserve	Ongoing	This reserve is to support and complement the Integrated Planning and Reporting (IPR) framework.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

	2021	2020
	\$	\$
Financial assets at amortised cost	24,414	22,801
	<u>24,414</u>	<u>22,801</u>

Other financial assets at amortised cost

Self supporting loans

Self supporting loans	24,414	22,801
	<u>24,414</u>	<u>22,801</u>

(b) Non-current assets

Financial assets at amortised cost

Financial assets at amortised cost	173,614	308,980
Financial assets at fair value through profit and loss	55,000	0
	<u>228,614</u>	<u>308,980</u>

Financial assets at amortised cost

Self supporting loans

Bendigo Bank Shares

Self supporting loans	168,614	303,980
Bendigo Bank Shares	5,000	5,000
	<u>173,614</u>	<u>308,980</u>

Financial assets at fair value through profit and loss

Units in Local Government House Trust

Units in Local Government House Trust	55,000	0
	<u>55,000</u>	<u>0</u>

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 15(b) as self supporting loans.

Financial assets at fair value through profit and loss

Units in Local Government House Trust

Units in Local Government House Trust	55,000	0
	<u>55,000</u>	<u>0</u>

Units in the Local Government House Trust represent the equity local governments hold in the Trust as a consequence of a contribution made to the cost of purchasing Local Government House.

There are 620 units in the Local Government Trust, 3 of which are held by the Shire of Brookton. Although these units were originally acquired on the establishment of the trust in 1979/80, this is the first year their value has been recognised by the Shire.

Also refer to note 2(a).

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 26.

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

6. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Prepayments	
ESL Payments	

Non-current

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

2021	2020
\$	\$
56,009	63,188
64,394	26,537
59	12,292
0	23,567
0	1,903
120,462	127,487
44,270	40,623
44,270	40,623

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 26.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

7. INVENTORIES

Current

Fuel and materials
 Land held for resale - cost
 Cost of acquisition
 Development costs

	2021	2020
	\$	\$
	27,060	16,298
	72,267	72,267
	140,283	140,283
	<u>239,610</u>	<u>228,848</u>
	228,848	229,037
	0	(107,425)
	10,762	107,236
	<u>239,610</u>	<u>228,848</u>

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

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.

Land held for resale

Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Plant and equipment - Bushfire	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	682,800	682,800	1,632,902	18,347,336	19,980,238	20,663,038	272,203	1,674,575	773,000	23,382,816
Additions	33,209	33,209	0	47,499	47,499	80,708	80,982	657,580	0	819,270
(Disposals)	(144,800)	(144,800)	0	(6,179,400)	(6,179,400)	(6,324,200)	(255,344)	(179,359)	0	(6,758,903)
Depreciation (expense)	0	0	(23,492)	(158,400)	(181,892)	(181,892)	(3,427)	(128,906)	(21,909)	(336,134)
Carrying amount at 30 June 2020	571,209	571,209	1,609,410	12,057,035	13,666,445	14,237,654	94,414	2,023,890	751,091	17,107,049
Comprises:										
Gross carrying amount at 30 June 2020	571,209	571,209	1,679,885	12,513,046	14,192,931	14,764,140	105,067	2,146,705	773,000	17,788,912
Accumulated depreciation at 30 June 2020	0	0	(70,475)	(456,011)	(526,486)	(526,486)	(10,653)	(122,815)	(21,909)	(681,863)
Carrying amount at 30 June 2020	571,209	571,209	1,609,410	12,057,035	13,666,445	14,237,654	94,414	2,023,890	751,091	17,107,049
Additions	0	0	0	844,796	844,796	844,796	28,973	603,890	0	1,477,659
(Disposals)	0	0	0	0	0	0	(12,241)	(246,754)	0	(258,995)
Depreciation (expense)	0	0	(25,698)	(155,670)	(181,368)	(181,368)	(14,836)	(157,798)	(34,188)	(388,190)
Transfers	0	0	325,389	(325,389)	0	0	0	0	0	0
Carrying amount at 30 June 2021	571,209	571,209	1,909,101	12,420,772	14,329,873	14,901,082	96,310	2,223,228	716,903	17,937,523
Comprises:										
Gross carrying amount at 30 June 2021	571,209	571,209	2,018,796	13,018,931	15,037,727	15,608,936	109,955	2,488,395	773,000	18,980,286
Accumulated depreciation at 30 June 2021	0	0	(109,695)	(598,159)	(707,854)	(707,854)	(13,645)	(265,167)	(56,097)	(1,042,763)
Carrying amount at 30 June 2021	571,209	571,209	1,909,101	12,420,772	14,329,873	14,901,082	96,310	2,223,228	716,903	17,937,523

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market Approach - asset assessed in terms of the factors relevant to a market participant and a value determined after adjusting for difference	Independent registered valuers	June 2017	Available market information
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Utilising both observable and unobservable inputs being construction costs based on recent contract prices, residual values and remaining useful life assessments.
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2017	Utilising both observable and unobservable inputs being construction costs based on recent contract prices, residual values and remaining useful life assessments.

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.

Following a change to Local Government (Financial Management) Regulation 17A, Plant and equipment (including furniture and equipment) type assets are to be measured using the cost model, rather than fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Previous revaluations were not reversed as the Shire has determined that fair value approximated cost at the date of change.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Other infrastructure - Footpaths	Other infrastructure - Sewerage	Other infrastructure - Parks & Gardens	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2019	67,997,105	420,958	1,153,799	698,184	70,270,046
Additions	1,011,913	28,535	91,844	0	1,132,292
Depreciation (expense)	(2,382,728)	(12,932)	(39,978)	(51,536)	(2,487,174)
Transfers		24,227		(24,227)	0
Carrying amount at 30 June 2020	66,626,290	460,788	1,205,665	622,421	68,915,164
Comprises:					
Gross carrying amount at 30 June 2020	71,395,496	485,641	1,285,074	725,494	73,891,705
Accumulated depreciation at 30 June 2020	(4,769,206)	(24,853)	(79,409)	(103,073)	(4,976,541)
Carrying amount at 30 June 2020	66,626,290	460,788	1,205,665	622,421	68,915,164
Additions	946,723	45,361	32,970		1,025,054
Depreciation (expense)	(2,566,920)	(15,267)	(42,508)	(53,763)	(2,678,458)
Carrying amount at 30 June 2021	65,006,093	490,882	1,196,127	568,658	67,261,760
Comprises:					
Gross carrying amount at 30 June 2021	72,342,219	531,001	1,318,044	725,494	74,916,758
Accumulated depreciation at 30 June 2021	(7,336,126)	(40,119)	(121,917)	(156,836)	(7,654,998)
Carrying amount at 30 June 2021	65,006,093	490,882	1,196,127	568,658	67,261,760

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

9. INFRASTRUCTURE (Continued)

(b) 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 (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Other infrastructure - Footpaths	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
Other infrastructure - Sewerage	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
Other infrastructure - Parks & Gardens	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Recognition and Measurement

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

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 zero cost or otherwise significantly less than fair value, 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 that are land, building and infrastructure 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 land, buildings and infrastructure is determined at least once every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire. 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 land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under roads from 1 July 2019

As a result of amendments to the *Local Government (Financial Management) Regulations 1996*, effective from 1 July 2019, vested land including land under roads, are treated as ROU assets measured at zero costs. Therefore, the previous inconsistency with AASB 1051 in respect on non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the balance sheet.

Vested Improvements from 1 July 2019

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulation 17A(2)(iv)* is a departure from AASB 16 which would have required the Shire to measure the vested improvements as part of the related ROU assets at zero cost.

Refer to Note 11 that details the significant accounting policies applying to leases (including ROU assets).

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(a) Disposals of Assets

	2021			2021			2021			2020			2020		
	Actual Net Book Value	Actual Sale Proceeds	2021 Actual Profit	Budget Net Book Value	Budget Sale Proceeds	2021 Budget Profit	Budget Net Book Value	Budget Sale Proceeds	2021 Budget Profit	Actual Net Book Value	Actual Sale Proceeds	2020 Actual Profit	Actual Net Book Value	Actual Sale Proceeds	2020 Actual Loss
Land - freehold land	0	0	0	0	0	0	0	0	0	144,800	123,168	0	144,800	123,168	0
Buildings - non-specialised	0	0	0	0	0	0	0	0	0	6,179,400	6,742,564	563,164	6,179,400	6,742,564	563,164
Furniture and equipment	12,241	0	0	14,246	0	0	14,246	0	(14,246)	255,344	217,198	0	255,344	217,198	0
Plant and equipment	246,754	133,000	0	222,543	145,000	12,000	222,543	145,000	(89,543)	179,359	173,591	47,869	179,359	173,591	(53,638)
	258,995	133,000	0	236,789	145,000	12,000	236,789	145,000	(103,789)	6,758,903	7,256,521	611,033	6,758,903	7,256,521	(113,416)

The following assets were disposed of during the year.

	2021			2021		
	Actual Net Book Value	Actual Sale Proceeds	2021 Actual Profit	Budget Net Book Value	Budget Sale Proceeds	2021 Budget Profit
Plant and Equipment						
Other property and services	246,754	133,000	0	246,754	133,000	0
Volvo Grader PG7	246,754	133,000	0	246,754	133,000	0
Other Asset class						
Program	12,241	0	0	12,241	0	(12,241)
Acer Server 2007	12,241	0	0	12,241	0	(12,241)
	258,995	133,000	0	258,995	133,000	(125,995)

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

10. FIXED ASSETS

(b) Depreciation

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Buildings - non-specialised	25,698	23,331	23,492
Buildings - specialised	155,670	160,950	158,400
Furniture and equipment	14,836	2,408	3,427
Plant and equipment	157,798	265,931	128,906
Plant and equipment - Bushfire	34,188	70,111	21,909
Infrastructure - Roads	2,566,920	2,145,693	2,382,728
Other infrastructure - Footpaths	15,267	18,296	12,932
Other infrastructure - Sewerage	42,508	41,652	39,978
Other infrastructure - Parks & Gardens	53,763	51,416	51,536
Right of use assets - Land & Vested improvements	312	1,702	1,707
	3,066,960	2,781,490	2,825,015

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

Asset Class	Useful life
Buildings - non-specialised	30 to 50 years
Buildings - specialised	50 to 80 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Infrastructure - Roads	10 to 100 years
Infrastructure - Footpaths	20 Years
Infrastructure - Sewerage	80 Years
Infrastructure - Parks & Ovals	30 to 75 years
Other infrastructure	10 to 60 years
Right of use - Land	Based on the remaining Lease

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

11. RIGHT OF USE ASSETS

(a) Right of Use Assets

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

	Right of use assets - Land & Vested improvements	Right of use assets Total
	\$	
Carrying amount at 30 June 2020	24,426	24,426
Depreciation (expense)	(312)	(312)
Carrying amount at 30 June 2021	24,114	24,114
(b) Cash outflow from leases		
Interest expense on lease liabilities	810	810
Lease principal expense	1,419	1,419
Total cash outflow from leases	2,229	2,229

The Shire has a lease relating to land and vested improvement. The lease term is 25 years with no extension option.

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right of use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at the date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental incremental borrowing rate.

Right of use assets are measured at cost. This means all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value. Refer to Note 10 that details the significant accounting policies applying to vested improvements.

Leases (continued)

Right of use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right of use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right of use assets are secured over the asset being leased.

SHIRE OF BROOKTON
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12. REVALUATION SURPLUS

	2021 Opening Balance	2021 Revaluation Increment	2021 Revaluation (Decrement)	Total Revaluation Movement on	2021 Closing Balance	2020 Opening Balance	2020 Other Adjustments	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance
Revaluation surplus - Land - freehold land	565,236	0	0	0	565,236	565,236	0	0	0	0	565,236
Revaluation surplus - Land - vested in and under the control of Council	0	0	0	0	0	237,807	0	0	0	0	0
Revaluation surplus - Buildings - non-specialised	209,957	0	0	0	209,957	209,957	0	0	0	0	209,957
Revaluation surplus - Buildings - specialised	8,685,782	0	0	0	8,685,782	8,685,782	0	0	0	0	8,685,782
Revaluation surplus - Furniture and equipment	0	0	0	0	0	1,527	0	0	0	0	0
Revaluation surplus - Plant and equipment	0	0	0	0	0	1,368,802	0	0	0	0	0
Revaluation surplus - Plant and equipment - Bushfire	0	0	0	0	0	47,903	(1,368,802)	0	0	0	0
Revaluation surplus - Infrastructure - Roads	61,860,200	0	0	0	61,860,200	61,860,200	0	0	0	0	61,860,200
Revaluation surplus - Other infrastructure - Footpaths	188,856	0	0	0	188,856	188,856	0	0	0	0	188,856
Revaluation surplus - Other infrastructure - Parks & Gardens	466,371	0	0	0	466,371	466,371	0	0	0	0	466,371
	71,976,402	0	0	0	71,976,402	73,632,441	(1,656,039)	0	0	0	71,976,402

(a) Due to a revision in the Local Government (Financial Management) Regulations 1997, the requirement to revalue plant and equipment has been removed and vested land is now recognised at Nil value.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Building Services Levy
Income in Advance
Accrued Expenses
Other payables - ESL Payments

2021	2020
\$	\$
89,569	318,893
0	182
20,140	30,068
12,321	14,107
1,947	0
123,977	363,250

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

**SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

14. LEASE LIABILITIES

	2021	2020
(a) Lease Liabilities		
Current	1,419	1,372
Non-current	22,019	23,437
	<u>23,438</u>	<u>24,809</u>

(b) Movements in Carrying Amounts

Purpose	Lease Number	Lease Institution	Lease Interest Rate	Lease Term	30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2020		30 June 2020	
					Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Community amenities	LE-03	Seabrook Aboriginal Corporation	3.40%	300	24,809	24,809	23,437	23,437	1,372	1,372	1,372	1,372	24,809	24,809	24,809	24,809	26,133	26,133	1,324	1,324	24,809	24,809	24,809	24,809
Reuse Water Dam					24,809	24,809	23,437	23,437	1,372	1,372	1,372	1,372	24,809	24,809	24,809	24,809	26,133	26,133	1,324	1,324	24,809	24,809	24,809	24,809
					<u>24,809</u>	<u>24,809</u>	<u>23,437</u>	<u>23,437</u>	<u>1,372</u>	<u>1,372</u>	<u>1,372</u>	<u>1,372</u>	<u>24,809</u>	<u>24,809</u>	<u>24,809</u>	<u>24,809</u>	<u>26,133</u>	<u>26,133</u>	<u>1,324</u>	<u>1,324</u>	<u>24,809</u>	<u>24,809</u>	<u>24,809</u>	<u>24,809</u>

**SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

15. INFORMATION ON BORROWINGS

	2021	2020
(a) Borrowings	\$	\$
Current	133,671	254,174
Non-current	811,445	816,371
	945,116	1,070,545

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	30 June 2021		30 June 2021		30 June 2021		30 June 2021		30 June 2020		30 June 2020		30 June 2020	
				Actual Principal 1 July 2020	Actual Interest repayments	Budget Principal 1 July 2020	Budget Interest repayments	Actual Principal 1 July 2020	Actual Interest repayments	Budget Principal 1 July 2020	Budget Interest repayments	Actual Principal 1 July 2019	Actual Interest repayments	Budget Principal 1 July 2019	Budget Interest repayments	Actual Principal outstanding	Actual Interest repayments
Government				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Shire office Renovations	75	WATC	6.46%	0	0	0	0	0	0	47,060	47,060	47,060	9,461	0	0	0	0
General purpose funding																	
Senior Citizen Homes - Mokinne Cotta	78	WATC	6.74%	0	0	0	0	0	0	89,416	89,416	89,416	15,776	0	0	0	0
Education and welfare																	
Kalkami Residence	80A	WATC	5.63%	63,602	3,237	63,602	3,889	9,185	3,889	72,291	8,689	8,689	4,240	63,602	63,602	63,602	63,602
Housing																	
Slarf Housing	80B	WATC	5.63%	104,943	5,342	104,943	6,419	15,156	6,419	119,280	14,337	14,337	6,996	104,943	104,943	104,943	104,943
Community amenities																	
Sewerage Extension	C	WATC	5.63%	44,522	2,266	44,522	2,724	6,430	2,724	50,605	6,083	6,083	2,968	44,522	44,522	44,522	44,522
Recreation and culture																	
Recreation Plan	81	WATC	6.95%	536,707	35,829	536,707	40,046	56,701	40,046	589,663	52,956	52,956	43,656	536,707	536,707	536,707	536,707
Other property and services																	
New Grader	80	WATC	5.63%	104,943	5,342	104,943	6,417	15,155	6,417	119,280	14,337	14,337	6,996	104,943	104,943	104,943	104,943
				884,717	52,016	884,717	59,495	102,627	59,495	1,087,595	232,878	232,878	90,093	854,717	854,717	854,717	854,717
Self Supporting Loans																	
General purpose funding																	
Country Club - Extend & Refurb Club	82	WATC	0.00%	215,828	14,408	215,828	16,106	22,801	16,106	237,124	21,296	21,296	16,117	215,828	215,828	215,828	215,828
				215,828	14,408	215,828	16,106	22,801	16,106	237,124	21,296	21,296	16,117	215,828	215,828	215,828	215,828
				1,070,545	66,424	1,070,545	75,601	125,428	75,601	1,324,719	254,174	254,174	106,210	1,070,545	1,070,545	1,070,545	1,070,545

* WA Treasury Corporation

Self supporting loans are financed by payments from third parties. These are shown in Note 5 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

15. INFORMATION ON BORROWINGS (Continued)

	2021	2020
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	10,000	10,000
Credit card balance at balance date	(387)	(70)
Total amount of credit unused	9,613	9,930
Loan facilities		
Loan facilities - current	133,671	254,174
Loan facilities - non-current	811,445	816,371
Lease liabilities - current	1,419	1,372
Lease liabilities - non-current	22,019	23,437
Total facilities in use at balance date	968,554	1,095,354
Unused loan facilities at balance date	0	0

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 26.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

16. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2020			
Current provisions	107,851	71,803	179,654
Non-current provisions		83,434	83,434
	107,851	155,237	263,088
Additional provision	167,630	(7,565)	160,065
Amounts used	(110,793)	(2,661)	(113,454)
Balance at 30 June 2021	164,688	145,011	309,699
Comprises			
Current	164,688	85,778	250,466
Non-current	0	59,233	59,233
	164,688	145,011	309,699

Amounts are expected to be settled on the following basis:

	2021 \$	2020 \$
Less than 12 months after the reporting date	97,909	92,797
More than 12 months from reporting date	211,790	170,291
Expected reimbursements from other WA local governments	0	0
	309,699	263,088

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

17. 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:

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
Cash and cash equivalents	12,759,448	11,688,459	12,944,172
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(759,875)	(1,633,335)	(1,235,309)
Non-cash flows in Net result:			
Assets Donated	0	0	(2,086)
Depreciation on non-current assets	3,066,960	2,781,490	2,825,015
(Profit)/loss on sale of asset	125,995	91,789	5,770
Initial recognition of shares in LG House Trust	(55,000)	0	0
(Gain) on sale of asset - Kalkarni adjustment	0	0	(503,385)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	3,380	118,255	70,223
(Increase)/decrease in inventories	(10,762)	0	189
Increase/(decrease) in payables	(239,273)	(361,166)	164,481
Increase/(decrease) in provisions	46,611	0	31,143
Non-operating grants, subsidies and contributions	(1,547,479)	(740,579)	(542,656)
Net cash from operating activities	630,557	256,454	813,385

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2021	2020
	\$	\$
Governance	7,578,388	8,562,767
General purpose funding	976,786	713,283
Law, order, public safety	716,903	751,092
Education and welfare	1,558,164	1,497,726
Housing	3,408,277	3,434,215
Community amenities	2,078,330	1,608,192
Recreation and culture	10,853,680	10,298,183
Transport	65,737,970	67,632,703
Economic services	1,150,082	365,143
Other property and services	3,350,638	3,289,776
Unallocated	1,230,997	1,566,471
	98,640,215	99,719,551

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

24. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	1/10/2020	0.00	0.00%	11.00%
Option Two				
First instalment	1/10/2020	0.00	5.50%	11.00%
Second instalment	8/02/2021	10.00	5.50%	11.00%
Option Three				
First instalment	1/10/2020	0.00	5.50%	11.00%
Second instalment	4/12/2020	10.00	5.50%	11.00%
Third instalment	8/02/2021	10.00	5.50%	11.00%
Fourth instalment	14/04/2021	10.00	5.50%	11.00%
		2021 Actual	2021 Budget	2020 Actual
		\$	\$	\$
Interest on unpaid rates		7,317	7,500	7,883
Interest on instalment plan		9,725	9,000	9,477
Charges on instalment plan		3,590	4,000	3,830
		20,632	20,500	21,190

19. CONTINGENT LIABILITIES

In addition to the liabilities included in the financial statements, the Shire is aware of a potential contaminated site relating to the sewerage treatment plant. The potential cash outflows and the timing of these outflows cannot be estimated at this time.

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

20. COMMITMENTS

	2021	2020
	\$	\$
Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	180,000	0
	180,000	0
Payable:		
- not later than one year	180,000	0

The capital expenditure project outstanding at the end of the current reporting period represented 2 x 1 bedroom chalet units being constructed.

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

21. RELATED PARTY TRANSACTIONS

Elected Member Remuneration

	Actual 2021	Budget 2021	Actual 2020
	\$	\$	\$
Elected member Cr K Crute			
President's annual allowance	1,500	1,500	1,500
Meeting attendance fees	9,000	9,000	10,800
Other expenses - Wheatbelt RRG Chairperson Honorarium	1,800	1,800	1,800
Travel and accommodation expenses	621	700	410
	<u>12,921</u>	<u>13,000</u>	<u>14,510</u>
Elected member Cr N Walker			
Deputy President's annual allowance	375	375	375
Meeting attendance fees	4,460	4,500	3,850
Travel and accommodation expenses	260	570	0
	<u>5,095</u>	<u>5,445</u>	<u>4,225</u>
Elected member Cr T Fancote			
Meeting attendance fees	4,300	4,420	3,553
Travel and accommodation expenses	296	570	0
	<u>4,596</u>	<u>4,990</u>	<u>3,553</u>
Elected member Cr C Hartl			
Meeting attendance fees	4,260	4,420	3,810
Travel and accommodation expenses	505	570	0
	<u>4,765</u>	<u>4,990</u>	<u>3,810</u>
Elected member Cr T Lilly			
Meeting attendance fees	4,525	4,620	2,610
Travel and accommodation expenses	452	570	0
	<u>4,977</u>	<u>5,190</u>	<u>2,610</u>
Elected member Cr G McNab			
Meeting attendance fees	5,970	5,220	2,270
Travel and accommodation expenses	321	570	486
	<u>6,291</u>	<u>5,790</u>	<u>2,756</u>
Elected member Cr B Watts			
Meeting attendance fees	3,000	4,420	2,650
Travel and accommodation expenses	924	570	693
	<u>3,924</u>	<u>4,990</u>	<u>3,343</u>

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

21. RELATED PARTY TRANSACTIONS (Cont)

Elected Member Remuneration	Actual 2021	Budget 2021	Actual 2020
	\$	\$	\$
Elected member Cr K Mills			
Meeting attendance fees	0	0	1,350
Travel and accommodation expenses	0	0	423
	0	0	1,773
Elected member Cr L Eyre			
Meeting attendance fees	0	0	1,350
Travel and accommodation expenses	0	0	0
	0	0	1,350
	Actual	Budget	Actual
	2021	2021	2020
Fees, expenses and allowances to be paid or reimbursed to elected council members	\$	\$	\$
President's allowance	1,500	36600	1,500
Deputy President's allowance	375	1500	375
Meeting attendance fees	35,515	375	32,243
Travel and accommodation expenses	3,379	4120	3,812
Other expenses	1,800	1800	1,800
	42,569	44,395	39,730
Key Management Personnel (KMP) Compensation Disclosure			
	2021		2020
The total remuneration paid to KMP of the Shire during the year was as follows:	Actual		Actual
	\$		\$
Short-term employee benefits	391,664		500,182
Post-employment benefits	49,583		52,510
Other long-term benefits	17,035		29,389
	458,282		582,081

Short-term employee benefits

These amounts include all salary, fringe benefits and cash bonuses awarded to each 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

21. RELATED PARTY TRANSACTIONS (Cont)

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 guarantees exist in relation to related parties at year end.

The following transactions occurred with related parties:

2021 Actual		2020 Actual	
\$	Nil	\$	Nil

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

22. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

Share of joint operations

The Shire together with the State Housing Commission have a joint arrangement with regards to the provision of low cost housing. The only assets are four residential units. The Shire's equity share of the units is 13.40%.

Non-Current Assets

	2021	2020
Land & Buildings	112,566	112,566
Less: accumulated depreciation	(5,815)	(4,722)
Total assets	106,751	107,844
Total liabilities	0	0

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

23. MAJOR LAND TRANSACTIONS

The Shire did not enter into a Major Land Transaction in the 2020/2021 year

(a) Details

The Shire disposed of the Kalkarni Agecare Facility and Saddleback Medical Centre in the 2019/2020 year.

(b) Current year transactions

Other revenue

- Sale proceeds

Other expenditure

- Cost of goods sold

	2021 Actual	2021 Budget	2020 Actual
	\$	\$	\$
	0	0	7,084,133
	0	0	(6,548,949)
	0	0	535,184

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

25. RATE SETTING STATEMENT INFORMATION

(a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

Adjustments to operating activities

	2020/21 Actual \$	2020/21 Budget \$	2019/20 Actual \$
Less: Profit on asset disposals	10(a) 0	(12,000)	(47,868)
Movement in pensioner deferred rates (non-current)	(3,647)	0	(2,805)
Movement in employee benefit provisions (non-current)	0	0	(1,479)
Less: Recognition of Local Government House Trust Shares	(55,000)	0	0
Add: Loss on disposal of assets	10(a) 125,995	103,789	53,638
Add: Depreciation on non-current assets	10(b) 3,066,960	2,781,490	2,825,015
Non cash amounts excluded from operating activities	3,134,308	2,873,279	2,826,501

(b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - cash backed	4 (11,626,742)	(11,533,033)	(12,133,250)
Less: Financial assets at amortised cost - self supporting loans	5(a) (24,414)	0	(22,801)
Less: Current assets not expected to be received at end of year			
- Land held for resale	7 (212,550)	0	(212,551)
- Rates receivable	0	(6,829)	0
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	15(a) 133,671	125,428	254,174
- Current portion of lease liabilities	1,419	1,372	1,372
- Employee benefit provisions	24,201	0	0
- Bonds and deposits held	0	6,830	0
Net impact on surplus due to sale of Kalkarni in 19/20	503,386	0	503,386
Total adjustments to net current assets	(11,201,029)	(11,406,232)	(11,609,670)

Net current assets used in the Rate Setting Statement

Total current assets	13,143,934	11,712,087	13,323,308
Less: Total current liabilities	(509,533)	(305,855)	(798,450)
Less: Total adjustments to net current assets	(11,201,029)	(11,406,232)	(11,609,670)
Net current assets used in the Rate Setting Statement	1,433,371	0	915,188

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2021					
Cash and cash equivalents	0.19%	12,759,448	11,626,742	1,002,909	129,797
2020					
Cash and cash equivalents	1.40%	12,944,172	12,133,250	810,922	

Sensitivity

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

	2021	2020
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	10,029	8,109

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 15(b).

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

The Shire has not recognised an allowance for impaired receivable because any expected loss is immaterial.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2021					
Rates receivable					
Expected credit loss	0.00%	0.2228%	1.1181%	0.8243%	
Gross carrying amount	688	26,927	22,359	48,527	98,501
Loss allowance	0	60	250	400	710

30 June 2020

Rates receivable					
Expected credit loss	0.00%	0.356%	5.364%	0.969%	
Gross carrying amount	33,377	14,043	5,593	36,137	89,150
Loss allowance	0	50	300	350	700

The loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2021					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.0583%	
Gross carrying amount	63,040	120	0	1,234	64,394
Loss allowance	0	0	0	1	1

30 June 2020

Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	100.00%	
Gross carrying amount	7,571	803	262	354	8,990
Loss allowance	0	0	0	125	125

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

26. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2021					
Payables	123,977	0	0	123,977	123,977
Borrowings	193,638	580,914	389,305	1,163,857	945,116
Lease liabilities	1,419	7,848	14,171	23,438	23,438
	<u>319,034</u>	<u>588,762</u>	<u>403,476</u>	<u>1,311,272</u>	<u>1,092,531</u>
2020					
Payables	363,252	0	0	363,252	363,250
Borrowings	193,638	580,914	582,943	1,357,495	1,070,545
Lease liabilities	1,372	7,590	15,847	24,809	24,809
	<u>558,262</u>	<u>588,504</u>	<u>598,790</u>	<u>1,745,556</u>	<u>1,458,604</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations. The adoption of the standards did not have a material impact on the Shire.

28. DISCONTINUED OPERATIONS

The Shire sold the Kalkarni Nursing Home Facility in January 2020

Analysis of the financial impact of discontinued operations and the Nursing Home asset is as follows

Changes to Statement of Comprehensive Income by Nature or Type

	2021	2020
Revenue		
Fees & Charges	-	522,079
Grants & Subsidies	-	1,691,588
	-	<u>2,213,667</u>
Expenses		
Contract Expenses	-	(2,349,529)
Gain from sale of assets from discontinued operations less cost to sell	-	503,385
Profit/(Loss) from discontinued operations	<u>-</u>	<u>367,523</u>

Revenues and expenses from the operations of Kalkarni were previously reported under the 'Education and Welfare' Program

Changes to Statement of Comprehensive Income by Program

	2021	2020
Revenue		
Education and Welfare	-	2,213,667
Expenses		
Education and Welfare	-	(2,349,529)
Gain from sale of assets from discontinued operations less cost to sell	-	503,385
Profit/(loss) from discontinued operations	<u>-</u>	<u>367,523</u>

Cashflows from discontinued operations

	2021	2020
Net cash flows from operating activities	<u>-</u>	<u>367,523</u>

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

29. TRUST FUNDS

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

	1 July 2020	Amounts Received	Amounts Paid	30 June 2021
	\$	\$	\$	\$
Other Bond	(6,140)	0	6,140	0
Unclaimed Money	(830)	0	830	0
Public Open Space Contributions	(13,820)	0	0	(13,820)
	(20,790)	0	6,970	(13,820)

SHIRE OF BROOKTON

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To provide a decision making process for the efficient allocation of resources.</p>	Administration and operations 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
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	Rates, general purpose grants and interest revenue.
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community.</p>	Supervision of various by-laws, fire prevention, emergency services and animal control.
<p>HEALTH To provide an operational framework for good community health.</p>	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
<p>EDUCATION AND WELFARE The Shire of Brookton provides low cost housing and Seniors accommodation units.</p>	Support and provide assistance to senior citizens and other voluntary services.
<p>HOUSING Provision and maintenance of rental housing to staff and non-staff tenants.</p>	Provision and maintenance of rental housing to staff and non-staff tenants.
<p>COMMUNITY AMENITIES Provision and maintenance of a sewerage overflow system; street; household and commercial refuse collection; refuse disposal site; administration of a town planning scheme; public conveniences and Brookton cemetery.</p>	Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning scheme, cemetery and public conveniences
<p>RECREATION AND CULTURE To establish and manage efficiently infrastructure and resources which will help the social well being of the community</p>	Maintenance of halls, aquatic centre, recreation centre and reserves, parks and gardens, library service, cultural and heritage services and facilities.
<p>TRANSPORT Construction and maintenance of RAV network including traffic signs, footpaths, bridges, culverts and other drains, street cleaning and lighting of streets. Townscape projects and the maintenance of a works depot.</p>	Construction and maintenance of roads, streets, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.
<p>ECONOMIC SERVICES Tourism and promotion of Brookton, operation of Brookton Caravan Park, building control and land care development of the Brookton district</p>	Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and stand pipes. Building control.
<p>OTHER PROPERTY AND SERVICES Private works and indirect cost allocation pools for plant operation and public works.</p>	Private works operations, public works operation, plant operation costs, gross salaries and wages.

SHIRE OF BROOKTON
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2021

32. FINANCIAL RATIOS

	2021 Actual	2020 Actual	2019 Actual
Current ratio	4.20	1.48	1.26
Asset consumption ratio	0.91	0.94	0.97
Asset sustainability ratio	0.77	0.51	0.24
Debt service cover ratio	4.31	3.20	7.13
Operating surplus ratio	(0.70)	(0.57)	(0.40)
Own source revenue coverage ratio	0.48	0.47	0.50

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 sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021 Shire of Brookton

To the Councillors of the Shire of Brookton

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the Shire of Brookton (Shire) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Shire of Brookton:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

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 financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on other legal and regulatory requirements

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

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the Shire:
 - a) The Operating Surplus Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years.
 - b) The Asset Sustainability Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the past 3 years.
- (ii) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) For 29% of the purchasing transactions we sampled, there was no evidence that the Shire obtained a sufficient number of quotations to test the market in line with its procurement policy. These practices increase the likelihood of not receiving value for money in procurement or favouritism of suppliers.
 - b) The Shire has not reported the Asset Renewal Funding Ratio for 2020-21, as planned capital renewals and required expenditure were not estimated in the long term financial plan and asset management plan respectively, as required by the Local Government (Financial Management) Regulations 1996.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the financial report was supported by verifiable information and reasonable assumptions.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Brookton for the year ended 30 June 2021 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.

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
30 March 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Asset Renewal Funding Ratio	✓		
2. Maintenance of the Vendor Masterfile		✓	
3. Capitalisation of Non-financial Assets		✓	
Matters Outstanding from Prior Audits			
4. Purchasing Policies and Procedures	✓		
5. Review of Depreciation Policy		✓	
6. Management of Issued Infringements		✓	

KEY TO RATINGS

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

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

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Asset Renewal Funding Ratio**Finding**

We note that the Shire has not reported the 'asset renewal funding ratio' in its annual financial reports for the 2019/20 and 2020/21 financial years as required by section 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*.

To be able to report the asset renewal funding ratio, the Shire requires at least a 10 year future plan for planned capital renewals and required capital expenditure.

The Shire's Asset Management Plan and Long-term Financial Plan currently cover the period from 2016 - 2027 (six future periods of planned renewal expenditure and required capital expenditure).

Rating: Significant Implication

The Shire will be unable to report an 'asset renewal funding ratio' as required by s50(1)(c) of the *Local Government (Financial Management) Regulations 1996* without 10 years of future data for planned capital renewals and required capital expenditure.

In addition to this, if the plans are not reviewed and updated periodically, the Shire will be unable to accurately report its asset renewal funding ratio in its financial statements.

Recommendation

We recommend the Shire review and update its Asset Management Plan(s) and Long-term Financial Plan to ensure that they contain 10 future reporting periods of estimates at a minimum.

As the Long-term Financial Plan informs the Corporate Business Plan, which in turn is used to drive development of the Shire's annual budget, the long-term plan should be reviewed annually as part of the process for preparing the Shire's annual budget. This is consistent with s19DA(4) of the *Local Government (Administration) Regulations 1996* which requires a local government review its current corporate business plan every year.

As anticipated capacity of the Shire's future resources is a required consideration of the Shire's Strategic Community plan, the asset management plan should be updated at a minimum every four years together with the Shire's Strategic Community Plan per s19C of the *Local Government (Administration) Regulations 1996* or ideally every 2-3 years as recommended by the Department of Local Government, Sport and Cultural Industries' 'Asset Management Framework and Guidelines'.

Note that the coverage period of the asset management plan will have to be adjusted as necessary to ensure a minimum of 10 years of future estimates are available for the calculation of the asset renewal funding ratio. e.g. if the plan is reviewed every 3 years, the plan should cover an initial 13 year period to ensure that there is still 10 years of estimates in the final year before the plan is re-reviewed.

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Management Comment

Non-compliance is noted and accepted. The Shire of Brookton engaged Moore Australia in February 2021 to review & update our existing Long Term Financial Plan and the Asset Management Plan. These Plans will produce a 15-year Plan to ensure that the organisation is always ahead a minimum of two years. It is anticipated that the first draft will be presented to Council on 20 January 2022 with endorsement to occur prior to 30 June 2022. The Management Team will update the Plans and add additional years as the IPR process continues to ensure it is in line with the annual budget when presented to Council as part of their annual budget deliberations.

Responsible Person: Chief Executive Officer

Completion Date: June 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Maintenance of the Vendor Masterfile**Finding**

We reviewed the Shire's vendor masterfile and noted:

- 125 creditors (19.78%) that have not been used for over two years
- 17 creditors (3%) that have not yet been used.

The Shire does not currently have a process in which the creditor masterfile is reviewed for currency or for unauthorised changes to vendor details.

Rating: Moderate**Implication**

Having inactive or inaccurate supplier details in its vendor masterfile increases the risk of incorrect or duplicate payments being made by the Shire. In addition, the lack of review of the vendor masterfile, increases the risk of inappropriate changes to vendor details being made without detection.

Recommendation

We recommend the Shire perform a periodic review of its vendor masterfile to ensure vendor data is up to date and vendors no longer in are inactivated or removed. This review should also ensure that any changes to vendor details are valid and appropriately approved.

Management Comment

Non-compliance is noted and accepted. With recent changes in staff within the organisation, this process was not completed as at 30 June 2021. Management has reviewed the listing and identified the 17 creditors not yet used.

To allow a Purchase Order to be raised for a creditor not within the system, requires the creation of a new creditor. In some instances, POs raised in 2020/2021 were actioned & processed in 2021/2022, some POs were cancelled, and further follow up shows that some of the 'unused' creditors were paid but for unknown reasons, the date of usage had not fed through to the appropriate field.

A support request has been lodged with IT Vision to determine why the data did not reflect the date against the creditor.

Responsible Person: Manager Corporate & Community
Completion Date: June 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Capitalisation of Non-financial Assets**Finding**

We noted instances where purchases of non-financial assets were incorrectly expensed. We also identified assets which have been capitalised and recorded in the asset register, despite still being under construction.

Rating: Moderate**Implication**

Without an effective process to ensure non-financial assets are correctly recorded, the value of the Shire's assets may be misstated. This may result in non-compliance with the requirements of s.17A of the *Local Government (Financial Management) Regulations 1996*.

Recommendation

We recommend the Shire review its processes for paying invoices and implement a process by which payments for invoices that are potentially capital in nature are reviewed to ensure all purchases of non-financial assets are captured and recorded in the Shire's asset register.

Management Comment

Non-compliance is noted and accepted. An AMCC has been appointed in the interim period until the new MCC commences their role. The AMCC is experienced in this area & has commenced a review of the asset register to ensure alignment of capital expenditure and sale/disposal of assets. It is the intent of the AMCC to work with current staff who will be responsible for these tasks.

Regarding assets under construction (WIP), prior recent experience has been to capitalise the portion of asset/s completed as at 30 June 2021 with the remaining budgeted expenditure & revenue to carry over to the next year.

It is also noted that funds received for projects not yet finalised, are required to be transferred to a contract liability.

Responsible Person: Acting Manager Corporate & Community
Completion Date: 30 June 2022

SHIRE OF BROOKTON**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Matters Outstanding from Prior Audits****4. Purchasing Policies and Procedures****Finding 2021**

The prior year issue has not been resolved.

From our testing of 35 expenditure transactions, we noted the following:

- 10 purchases where insufficient quotes were obtained as required by the Shire's procurement policy
- 1 purchase order, totaling \$249,293, was approved by an officer who was exceeding their delegated limit
- 1 sample where we were unable to obtain evidence of the tax invoice approval

We are of the understanding that a shortage of available suppliers due to the current COVID-19 environment may have contributed to a difficulty in obtaining the required quotes. However the Shire was unable to provide evidence of quotes being requested.

Finding 2018-2020

The Shire has not yet developed documented procedures over the authorisation and payment of accounts. From a sample purchases selected for testing, seven instances were noted where evidence that appropriate quotes were obtained could not be provided and verified by audit. In addition, one sample was noted where the PO was not authorised before the purchase was made.

Rating: Significant (2020: Significant)**Implication**

Without documented procedures relating to the authorisation and processing of payments, staff may be unclear as to how purchases and payments should be made. This could lead to inappropriate purchases being made, or good practice not being followed.

Recommendation

The Shire should review its purchasing policies and procedures with a view to providing greater guidance over the authorisation of payments and the payment of accounts. This guidance should include the items mentioned in regulation 11 of the *Local Government (Financial Management) Regulations 1996*.

When updating its policies, consideration should also be given to the possibility of extenuating circumstances resulting in the Shire requesting but being unable to obtain quotes for urgent and essential expenditures within a reasonable timeframe. If a supplier must be chosen without appropriate quotes, the Shire's policies and procedures should clearly specify the criteria for when exceptions to the standard procurement process can apply with a view to ensuring exceptions are used only when necessary.

The Shire should ensure that there is adequate management review of these purchases and appropriate documentation is kept by the Shire (e.g. evidence of the quotes requested, rationale for how the supplier was chosen, and evidence of appropriate management review and approval regarding the choice of supplier).

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Management Comment

Non-compliance is noted and accepted. The Acting CEO had issued to all staff a formal process for the requirements for purchasing after the final audit identified lack of regard with the purchasing guidelines against the policy.

A report is being presented to the Ordinary Meeting of Council in December 2021, outlining the clarity around purchasing exemptions, anti-avoidance purchases & emergency purchases that were identified during the audit.

The updating of the Purchasing Policy, together with the introduction of documented procedures, in relation to purchasing, authorisation and processing of payments & accounts will result in a reduction of the number of instances of non-compliance in areas such as: obtaining quotations, issuing of purchase orders, appropriate record keeping, file-notes with CEO sign off in instances where the Procurement Policy is not followed.

A non-compliant Procurement Register has been set up based on a prior council template which will be presented to the CEO on a monthly basis to track instances of non-compliance, why the instance occurred, action taken to ensure the non-compliance does not reoccur and the responsible officer.

Responsible Person: Acting Chief Executive Officer
Completion Date: March 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

5. Review of Depreciation Policy**Finding 2021**

We noted that the issue has not yet been addressed as a revised asset management plan has not yet been finalised.

Finding 2019-2020

We noted that the useful lives of assets in the Shire's depreciation policy appear excessive and may not reflect the actual useful lives allocated in the asset register.

Rating: Moderate (2020: Moderate)**Implication**

If the useful lives of assets in the Shire's depreciation policy are incorrect, there is a greater risk of errors in the annual financial report.

Recommendation

The Shire should review the depreciation policy to ensure that the useful lives are consistent with the actual useful lives of assets in the asset register.

Management Comment

Non-compliance is noted and accepted. Current value and condition assessments have not been reviewed, updated or amended for several years. The Shire are in the process of having our Asset Management Plan updated to accurately reflect the value and condition of each asset.

Once the above has occurred, the Depreciation Policy will be aligned to the Asset Management Plan and Asset Depreciation rates/groups will be amended accordingly.

Responsible Person: Manager Corporate & Community

Completion Date: March 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

6. Management of Issued Infringements**Finding 2021**

We noted that the Shire has implemented a register to record issued infringements. However, this register has not yet been extended to bushfire infringements.

As issued infringements are unpaid, the Shire needs to implement a process to follow up issued infringements to ensure they are paid.

Finding 2018-2020

We noted that there is no register of infringements issued by the Shire and there are no processes to track or follow up on infringements issued. In addition, we observed that the mail is only opened by one person and if cash and cheques are received for infringements, there is a greater risk of misappropriation.

We acknowledge that the monetary value of infringements issued is not likely to be material.

Rating: Minor (2020: Moderate)**Implication**

Without a process to review and follow up on infringements issued, there is a risk of infringements being unenforced and uncollected or funds from fines being fraudulently misappropriated.

This will also diminish the effectiveness of infringements as a deterrent for non-compliance with the Shire's laws and regulations.

Recommendation

We recommend the Shire include bushfire infringements as part of its register of issued infringements.

Management Comment

Non-compliance is noted and accepted. The Shire does not issue many infringement notices but advises that an Infringement Register has been in use since January 2021.

The Bush Fire inspections are outsourced and only activate an infringement if the resident does not comply with the intention letter sent to the property owner. At commencement of 2021/2022, intention letters have been sent to property owners who are not compliant.

The relevant properties have been re-inspected and infringements have been sent to all non-compliant ratepayers with notification that if the properties are not made compliant within 14 days of the date of infringement, contractors will be engaged to undertake the work and the cost forwarded on to the property owner.

Responsible Person: Manager Corporate & Community

Completion Date: March 2022