

SHIRE OF BROOKTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Audit Report	58
Supplementary Ratio Information	60

Principal place of business:

14 White Street
BROOKTON WA 6306

A.B.N. 74164408055

**SHIRE OF BROOKTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the *SEVENTH* day of *DECEMBER* 2017



Ian D'Arcy
Chief Executive Officer

SHIRE OF BROOKTON
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	23	1,919,143	1,917,235	1,791,638
Operating grants, subsidies and contributions	30	4,306,754	3,812,835	3,327,899
Fees and charges	29	1,797,136	1,499,148	1,614,272
Interest earnings	2(a)	176,018	199,619	157,307
Other revenue	2(a)	160,066	309,101	385,435
		<u>8,359,117</u>	<u>7,737,938</u>	<u>7,276,551</u>
Expenses				
Employee costs		(1,190,912)	(1,184,513)	(1,157,752)
Materials and contracts		(4,684,923)	(4,968,682)	(4,774,704)
Utility charges		(131,810)	(158,895)	(158,295)
Depreciation on non-current assets	2(a)	(2,260,533)	(4,023,244)	(2,508,815)
Interest expenses	2(a)	(120,798)	(122,249)	(129,174)
Insurance expenses		(198,062)	(213,229)	(140,185)
Other expenditure		(136,326)	(14,202)	(1,459)
		<u>(8,723,364)</u>	<u>(10,685,014)</u>	<u>(8,870,384)</u>
		(364,247)	(2,947,076)	(1,593,833)
Non-operating grants, subsidies and contributions	30	941,683	1,071,854	1,207,997
Profit on asset disposals	21	21,598	30,533	6,640
(Loss) on asset disposals	21	(54,072)	(21,285)	(219,415)
Fair value adjustments to financial assets at				
Net result		<u>544,962</u>	<u>(1,865,974)</u>	<u>(598,611)</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	5,341,282	0	791,424
Total other comprehensive income		<u>5,341,282</u>	<u>0</u>	<u>791,424</u>
Total comprehensive income		<u>5,886,244</u>	<u>(1,865,974)</u>	<u>192,813</u>

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 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
	2(a)			
Governance		17,261	35,636	41,655
General purpose funding		3,497,006	3,035,572	2,406,013
Law, order, public safety		29,296	34,763	45,969
Health		1,074	2,509	625
Education and welfare		4,069,702	3,719,654	3,989,506
Housing		107,238	82,562	93,991
Community amenities		365,505	420,003	394,956
Recreation and culture		78,661	96,790	50,553
Transport		87,715	92,614	84,769
Economic services		48,293	62,851	53,015
Other property and services		57,366	154,984	115,499
		<u>8,359,117</u>	<u>7,737,938</u>	<u>7,276,551</u>
Expenses				
	2(a)			
Governance		(630,894)	(675,458)	(604,344)
General purpose funding		(195,940)	(196,138)	(182,151)
Law, order, public safety		(161,571)	(218,386)	(221,284)
Health		(47,470)	(51,035)	(51,516)
Education and welfare		(4,004,448)	(3,850,981)	(3,987,791)
Housing		(114,489)	(116,769)	(139,870)
Community amenities		(371,564)	(606,444)	(509,836)
Recreation and culture		(736,559)	(750,851)	(764,405)
Transport		(2,158,453)	(4,090,849)	(2,082,047)
Economic services		(106,373)	(158,894)	(116,498)
Other property and services		(74,805)	153,040	(81,468)
		<u>(8,602,566)</u>	<u>(10,562,765)</u>	<u>(8,741,210)</u>
Finance costs				
	2(a)			
Governance		(4,125)	(4,239)	(4,419)
General purpose funding		(33,553)	(33,935)	(36,213)
Law, order, public safety		0	0	(6,201)
Health		0	0	(10,231)
Education and welfare		(5,744)	(5,858)	(4,341)
Housing		(9,477)	(9,666)	(57,538)
Community amenities		(4,021)	(4,101)	(10,231)
Recreation and culture		(54,401)	(54,784)	0
Transport		(9,477)	(9,666)	0
		<u>(120,798)</u>	<u>(122,249)</u>	<u>(129,174)</u>
		(364,247)	(2,947,076)	(1,593,833)
Non-operating grants, subsidies and contributions				
	30	941,683	1,071,854	1,207,997
Profit on disposal of assets	21	21,598	30,533	6,640
(Loss) on disposal of assets	21	(54,072)	(21,285)	(219,415)
Fair value adjustments to financial assets at				
Net result		<u>544,962</u>	<u>(1,865,974)</u>	<u>(598,611)</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
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Total other comprehensive income		<u>5,341,282</u>	<u>0</u>	<u>791,424</u>
Total comprehensive income		<u>5,886,244</u>	<u>(1,865,974)</u>	<u>192,813</u>

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

SHIRE OF BROOKTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	5,129,231	3,994,827
Trade and other receivables	5	3,792,427	1,744,839
Inventories	6	15,421	16,373
TOTAL CURRENT ASSETS		<u>8,937,079</u>	<u>5,756,039</u>
NON-CURRENT ASSETS			
Other receivables	5	415,608	456,510
Investments	4	5,000	5,000
Inventories	6	212,550	242,626
Property, plant and equipment	7	25,115,645	20,211,756
Infrastructure	8	70,539,257	70,567,056
TOTAL NON-CURRENT ASSETS		<u>96,288,060</u>	<u>91,482,948</u>
TOTAL ASSETS		<u>105,225,138</u>	<u>97,238,987</u>
CURRENT LIABILITIES			
Trade and other payables	9	3,985,861	1,741,406
Current portion of long term borrowings	10	130,130	122,136
Provisions	11	147,128	181,813
TOTAL CURRENT LIABILITIES		<u>4,263,119</u>	<u>2,045,355</u>
NON-CURRENT LIABILITIES			
Long term borrowings	10	1,477,660	1,607,790
Provisions	11	58,854	46,581
TOTAL NON-CURRENT LIABILITIES		<u>1,536,514</u>	<u>1,654,371</u>
TOTAL LIABILITIES		<u>5,799,633</u>	<u>3,699,726</u>
NET ASSETS		<u>99,425,505</u>	<u>93,539,261</u>
EQUITY			
Retained surplus		22,327,432	22,065,298
Reserves - cash backed	12	3,504,765	3,221,937
Revaluation surplus	13	73,593,308	68,252,026
TOTAL EQUITY		<u>99,425,505</u>	<u>93,539,261</u>

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

**SHIRE OF BROOKTON
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2017**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH/INVESTMENT BACKED	REVALUATION SURPLUS	
		\$	\$	\$	
				TOTAL EQUITY	
				\$	
Balance as at 1 July 2015		23,325,893	2,559,953	67,460,602	93,346,448
Comprehensive income					
Net result		(598,611)	0	0	(598,611)
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>791,424</u>	<u>791,424</u>
Total comprehensive income		(598,611)	0	791,424	192,813
Transfers from/(to) reserves		(661,984)	661,984	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2016		22,065,298	3,221,937	68,252,026	93,539,261
Comprehensive income					
Net result		544,962	0	0	544,962
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>5,341,282</u>	<u>5,341,282</u>
Total comprehensive income		544,962	0	5,341,282	5,886,244
Transfers from/(to) reserves		(282,828)	282,828	0	0
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at 30 June 2017		<u>22,327,432</u>	<u>3,504,765</u>	<u>73,593,308</u>	<u>99,425,505</u>

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

SHIRE OF BROOKTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,889,411	1,917,236	1,820,370
Operating grants, subsidies and contributions		2,338,126	3,812,835	2,630,426
Fees and charges		1,797,136	1,499,148	1,614,272
Interest earnings		176,018	199,619	157,307
Goods and services tax		487,184	0	566,268
Other revenue		159,769	309,101	385,435
		<u>6,847,644</u>	<u>7,737,939</u>	<u>7,174,078</u>
Payments				
Employee costs		(1,219,443)	(1,184,512)	(1,151,277)
Materials and contracts		(2,431,348)	(4,823,687)	(4,216,860)
Utility charges		(131,810)	(158,895)	(158,295)
Interest expenses		(122,549)	(122,249)	(130,791)
Insurance expenses		(198,062)	(213,229)	(140,185)
Goods and services tax		(533,546)	0	(539,345)
Other expenditure		(136,326)	(14,202)	(1,459)
		<u>(4,773,084)</u>	<u>(6,516,774)</u>	<u>(6,338,212)</u>
Net cash provided by (used in) operating activities	14(b)	<u>2,074,560</u>	<u>1,221,165</u>	<u>835,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(379,516)	(2,045,343)	(1,500,363)
Payments for construction of infrastructure		(1,629,113)	(1,344,280)	(979,762)
Non-operating grants, subsidies and contributions		941,683	1,071,854	1,207,996
Proceeds from sale of fixed assets		210,889	264,000	556,280
Net cash provided by (used in) investment activities		<u>(856,057)</u>	<u>(2,053,769)</u>	<u>(715,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(122,136)	(122,136)	(114,637)
Proceeds from self supporting loans		38,036	38,036	35,629
Net cash provided by (used in) financing activities		<u>(84,100)</u>	<u>(84,100)</u>	<u>(79,008)</u>
Net increase (decrease) in cash held		1,134,403	(916,704)	41,010
Cash at beginning of year		3,994,827	3,994,828	3,953,817
Cash and cash equivalents at the end of the year	14(a)	<u><u>5,129,231</u></u>	<u><u>3,078,124</u></u>	<u><u>3,994,827</u></u>

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

**SHIRE OF BROOKTON
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		572,848	549,058	1,115,013
		<u>572,848</u>	<u>549,058</u>	<u>1,115,013</u>
Revenue from operating activities (excluding rates)				
Governance		17,531	36,054	41,655
General purpose funding		1,600,167	1,140,641	635,219
Law, order, public safety		29,296	34,763	50,685
Health		1,074	2,509	625
Education and welfare		4,069,702	3,719,654	3,989,506
Housing		107,238	82,562	93,991
Community amenities		365,505	420,003	394,956
Recreation and culture		78,661	96,790	50,553
Transport		87,715	97,805	86,693
Economic services		68,218	87,775	53,015
Other property and services		58,769	154,984	115,499
		<u>6,483,876</u>	<u>5,873,540</u>	<u>5,512,397</u>
Expenditure from operating activities				
Governance		(645,350)	(680,722)	(608,763)
General purpose funding		(229,493)	(230,073)	(218,364)
Law, order, public safety		(161,571)	(218,386)	(221,284)
Health		(47,470)	(51,035)	(51,516)
Education and welfare		(4,010,192)	(3,856,839)	(3,993,992)
Housing		(130,387)	(133,353)	(188,076)
Community amenities		(375,585)	(610,545)	(514,177)
Recreation and culture		(790,960)	(805,635)	(821,943)
Transport		(2,205,250)	(4,113,857)	(2,273,718)
Economic services		(106,373)	(158,894)	(116,498)
Other property and services		(74,805)	153,040	(81,468)
		<u>(8,777,436)</u>	<u>(10,706,299)</u>	<u>(9,089,799)</u>
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(21,598)	(30,533)	(6,640)
Loss on disposal of assets	21	54,072	21,285	219,415
Movement in deferred pensioner rates (non-current)		297	0	(5,738)
Movement in employee benefit provisions (non-current)		12,273	0	5,431
Depreciation and amortisation on assets	2(a)	2,260,533	4,023,244	2,508,815
Amount attributable to operating activities		<u>584,865</u>	<u>(269,705)</u>	<u>258,894</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		941,683	1,071,854.00	1,207,997
Proceeds from disposal of assets	21	210,889	264,000.00	556,280
Purchase of property, plant and equipment	7(b)	(379,516)	(2,045,343.00)	(1,500,363)
Purchase and construction of infrastructure	8(b)	(1,629,113)	(1,344,280.00)	(979,762)
Amount attributable to investing activities		<u>(856,057)</u>	<u>(2,053,769.00)</u>	<u>(715,848)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(122,136)	(122,136)	(114,637)
Proceeds from self supporting loans		38,036	38,036	35,629
Transfers to reserves (restricted assets)	12	(512,853)	(586,657)	(1,008,984)
Transfers from reserves (restricted assets)	12	230,025	1,099,300	347,000
Amount attributable to financing activities		<u>(366,928)</u>	<u>428,543</u>	<u>(740,992)</u>
Surplus(deficiency) before general rates		<u>(638,120)</u>	<u>(1,894,931)</u>	<u>(1,197,946)</u>
Total amount raised from general rates	23	<u>1,896,839</u>	<u>1,894,931</u>	<u>1,770,794</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>1,258,719</u></u>	<u><u>0</u></u>	<u><u>572,848</u></u>

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(b) Goods and Services Tax (GST)

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

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

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

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

(c) Cash and Cash Equivalents

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Trade and Other Receivables

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

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

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

(e) Inventories

General

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

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

Land held for sale

Land held for development and sale 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. Finance 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 on to the buyer at this point.

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

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

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2017 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

Land under roads

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

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

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

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Buildings	5 to 138 years
Furniture and equipment	4 to 10 years
Plant and equipment	2 to 60 years
<u>Infrastructure - Roads Sealed</u>	
Formation and Subgrade	not depreciated
Pavement	15 to 100 years
Surface	15 to 175 years
Surface Water Channel	5 to 100 years
<u>Infrastructure - Roads Gravel</u>	
Formation and Subgrade	not depreciated
Pavement	15 to 100 years
<u>Infrastructure - Roads Unsealed</u>	
Formation and Subgrade	not depreciated
Pavement	15 to 100 years
Bridges	10 to 155 years
Infrastructure - Footpaths	40 to 100 years
Infrastructure - Parks & Garden	30 to 50 years
Infrastructure - Sewerage piping	1 to 100 years
Water supply piping and drainage systems	50 to 75 years
Storm Water Drainage	50 to 100 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Capitalisation threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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.

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.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

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

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

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

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

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of 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.

(l) Borrowing Costs

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

(m) Provisions

Provisions are recognised when the 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.

(n) Leases

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

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

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

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

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Shire and the associate are eliminated to the extent of the Shire's interest in the associate.

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) 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.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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 even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

(t) Rounding Off Figures

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

(u) 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 statement, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(v) Budget Comparative Figures

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i) AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii) AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire the impact is not expected to be significant.</p>
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column. It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 Related Party Disclosures to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary and resultant disclosures will be necessary.

Notes:

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES	2017	2016	
	\$	\$	
(a) Net Result			
The Net result includes:			
(i) Charging as an expense:			
Significant expense			
Education & Welfare - Aged Care (<i>Refer Note 36</i>)	<u>3,832,381</u>	<u>3,906,407</u>	
Auditors remuneration			
- Audit of the Annual Financial Report	21,625	24,745	
- Other Services	1,500	5,000	
Depreciation			
Buildings - non-specialised	26,452	19,195	
Buildings - specialised	410,228	413,576	
Furniture and equipment	8,925	23,532	
Plant and equipment	158,016	361,658	
Infrastructure - roads & Bridges	1,579,442	1,577,120	
Infrastructure - footpaths	12,453	11,804	
Infrastructure - Sewerage	54,247	92,786	
Infrastructure - parks and ovals	10,770	9,144	
	<u>2,260,533</u>	<u>2,508,815</u>	
Interest expenses (finance costs)			
Debentures (refer Note 22 (a))	<u>120,798</u>	<u>129,174</u>	
	<u>120,798</u>	<u>129,174</u>	
(ii) Crediting as revenue:			
Significant revenue			
Education & Welfare - Aged Care (<i>Refer Note 36</i>)	<u>3,789,759</u>	<u>3,603,475</u>	
Other revenue			
Reimbursements and recoveries	146,191	350,935	
Other	13,875	34,500	
	<u>160,066</u>	<u>385,435</u>	
	<u>160,066</u>	<u>385,435</u>	
	2017	2017	2016
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Loans receivable - clubs/institutions	30,823	36,571	32,276
- Reserve funds	86,059	96,658	73,983
- Other funds	46,500	50,890	39,861
Other interest revenue (refer note 28)	12,636	15,500	11,187
	<u>176,018</u>	<u>199,619</u>	<u>157,307</u>
	<u>176,018</u>	<u>199,619</u>	<u>157,307</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

The Shire of Brookton is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the members of the community and enable them to enjoy a pleasant and healthy way of life.

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

GOVERNANCE

Objective:

Elected member's expenses, maintenance of the Shire's administration centre, audit and forward planning expenses and provision of information to the public.

Activities:

Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

Levy and collection of property rates, general purpose grants and the acquisition of funds via loans and investments.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

Fire prevention, animal control and supervision and development of local laws.

Activities:

Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.

HEALTH

Objective:

Food hygiene control, maintenance of Saddleback Medical Centre and the provision of a part-time doctor.

Activities:

Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance. In addition this program also includes the costs associated with the maintenance of the Saddleback Medical Centre.

EDUCATION AND WELFARE

Objective:

The Shire of Brookton incorporates the operation of Kalkarni Residency, which is an Aged Care facility. Annual contributions are also made to pre-school education through the Early Learnings Network.

Activities:

Maintenance of child minding centre, playgroup centre, senior citizen centre and aged care centre. Provision and maintenance of home and community care programs and youth services.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

HOUSING

Objective:

Provision and maintenance of rental housing to staff and non-staff tenants.

Activities:

Provision and maintenance of rental housing to staff and non-staff tenants.

COMMUNITY AMENITIES

Objective:

Provision and maintenance of a sewerage overflow system; street, household and commercial refuse collection; provision and maintenance of the Brookton refuse disposal site; administration of a town planning scheme; provision and maintenance of public conveniences, and Brookton Cemetery operations

Activities:

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 schemes, cemetery and public conveniences.

RECREATION AND CULTURE

Objective:

Provision and maintenance of Brookton Memorial Hall, other public halls, the WB Eva Pavilion, recreation ground, Brookton swimming pool and community parks and gardens. Operation of the Brookton library and the community bus.

Activities:

Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.

TRANSPORT

Objective:

Construction and maintenance of road 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.

Activities:

Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

Tourism and promotion of Brookton, operation of Brookton Caravan Park, building control and land care development of the Brookton district.

Activities:

Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes. Building Control.

OTHER PROPERTY AND SERVICES

Objective:

Private works and indirect cost allocation pools for plant operation and public works.

Activities:

Private works operation, plant repair and operation costs and engineering operation costs.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
Grant/Contribution	Function/ Activity	1/07/15	2015/16	2015/16	30/06/16	2016/17	2016/17	30/06/17
		\$	\$	\$	\$	\$	\$	\$
Roads to Recovery	Transport	0	443,179	(412,793)	30,386	481,617	(522,973)	(10,970)
DFES - Operational Funding	Law, Order and Public Safety	8,187	39,902	(39,622)	8,467	25,403	(19,621)	14,249
CLGF - Regional Grant Funding	Housing	304,268	0	(304,268)	0	0	0	0
Lotteries West	Child care	0	135,000	0	135,000	0	(135,000)	0
Total		<u>312,455</u>	<u>618,081</u>	<u>(756,683)</u>	<u>173,853</u>	<u>507,020</u>	<u>(677,594)</u>	<u>3,279</u>

Notes:

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

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

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

(4) - All unspent grants/contributions identified above have been included in the Shires 2017/18 Annual Budget as expenditure and therefore are not deemed to be restricted cash for the purpose of calculating net current assets in accordance with Operational Guideline Number 8.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,621,187	599,037
Restricted		<u>3,508,044</u>	<u>3,395,790</u>
		<u><u>5,129,231</u></u>	<u><u>3,994,827</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant and Vehicle Reserve	12	540,015	494,514
Housing Reserve	12	764,765	754,115
Furniture & Equipment Reserve	12	64,855	23,983
Municipal Building & Facility Reserve	12	201,166	115,627
Townscape & Footpath Reserve	12	49,063	142,081
Land Redevelopment Reserve	12	129,369	126,049
Sewerage Scheme Reserve	12	194,032	125,339
Road and Bridges Infrastructure Reserve	12	292,547	187,018
Health & Aged Care Reserve	12	777,173	777,991
Community Bus Reserve	12	63,696	57,160
Sport & Recreation Reserve	12	10,392	10,125
Rehabilitation & Refuse Reserve	12	46,448	40,355
Saddleback Building Reserve	12	50,113	48,827
Caravan Park Reserve	12	122,382	127,936
Brookton Museum/Heritage Reserve	12	37,773	34,353
Kweda Hall Reserve	12	25,657	22,548
Aldersyde Hall Reserve	12	25,657	22,548
Railway Station Reserve	12	25,657	22,548
Madison Square Units Reserve	12	17,689	17,235
Cemetery Reserve	12	21,471	20,920
Water Harvesting Reserve	12	40,303	50,665
Developer Contribution Reserve	12	4,542	0
Unspent grants	2(c)	<u>3,279</u>	<u>173,853</u>
		<u><u>3,508,044</u></u>	<u><u>3,395,790</u></u>
4. INVESTMENTS			
Held for trading			
Bendigo Bank Shares		<u>5,000</u>	<u>5,000</u>
		<u><u>5,000</u></u>	<u><u>5,000</u></u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	43,547	13,815
Sundry debtors	59,399	63,340
GST receivable	46,362	0
Loans receivable - clubs/institutions	40,605	38,036
Aged Care Facility Bonds	3,272,119	1,452,492
Prepayments & Accrued Income	330,395	177,156
	<u>3,792,427</u>	<u>1,744,839</u>
Non-current		
Rates outstanding - pensioners	31,430	31,727
Loans receivable - clubs/institutions	384,178	424,783
	<u>415,608</u>	<u>456,510</u>
6. INVENTORIES		
Current		
Fuel and materials	15,421	16,373
	<u>15,421</u>	<u>16,373</u>
Non-current		
Land held for resale - cost		
Cost of acquisition	72,267	82,818
Development costs	140,283	159,808
	<u>212,550</u>	<u>242,626</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	0	685,000
- Independent valuation 2017 - level 2	538,000	0
	<u>538,000</u>	<u>685,000</u>
Land - vested in and under the control of Council at:		
- Management valuation 2014 - level 3	0	117,193
- Independent valuation 2017 - level 3	355,000	0
	<u>355,000</u>	<u>117,193</u>
	<u>893,000</u>	<u>802,193</u>
Buildings - non-specialised at:		
- Independent valuation 2014 - level 2	0	627,000
- Independent valuation 2017 - level 3	1,679,886	0
- Additions after valuation - cost	0	648,067
Less: accumulated depreciation	0	(31,670)
	<u>1,679,886</u>	<u>1,243,397</u>
Buildings - specialised at:		
- Independent valuation 2014 - level 2	0	15,687,746
- Independent valuation 2017 - level 3	19,981,978	0
- Additions after valuation - cost	0	775,370
Less: accumulated depreciation	0	(811,566)
	<u>19,981,978</u>	<u>15,651,550</u>
	<u>21,661,864</u>	<u>16,894,947</u>
Total land and buildings	<u>22,554,864</u>	<u>17,697,140</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	88,139	88,139
- Additions after valuation - cost	13,575	0
Less accumulated depreciation	(8,925)	0
	<u>92,789</u>	<u>88,139</u>
Plant and equipment at:		
- Management valuation 2016 - level 3	2,203,676	341,576
- Management valuation 2016 - level 3	0	2,084,900
- Additions after valuation - cost	412,820	0
- Disposals		
Less accumulated depreciation	(148,504)	0
	<u>2,467,992</u>	<u>2,426,476</u>
	<u>25,115,645</u>	<u>20,211,755</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	685,000	0		(147,000)	0	0	0	0	538,000
Land - vested in and under the control of Council	117,193	0	0	237,807	0	0	0	0	355,000
Total land	802,193	0	0	90,807	0	0	0	0	893,000
Buildings - non-specialised	1,243,397	24,160	0	438,781	0	0	(26,452)	0	1,679,886
Buildings - specialised	15,651,550	(71,039)		4,811,694	0	0	(410,227)		19,981,978
Total buildings	16,894,947	(46,879)	0	5,250,475	0	0	(436,679)	0	21,661,864
Total land and buildings	17,697,140	(46,879)	0	5,341,282	0	0	(436,679)	0	22,554,864
Furniture and equipment	88,139	13,575	0	0	0	0	(8,925)	0	92,789
Plant and equipment	2,426,476	412,820	(213,288)		0	0	(158,016)	0	2,467,992
Total property, plant and equipment	20,211,755	379,516	(213,288)	5,341,282	0	0	(603,620)	0	25,115,645

**SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	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
Land - vested in and under the control of Council	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, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).
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, current condition (Level 2 inputs), residual values and remaining useful life assessments (Level 3 inputs).
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase cost and current condition (level 2 inputs), residual values and remaining useful life assessments (level 3 inputs)
Plant and equipment					
- Management valuation 2015	2	Observable open market values of similar assets, adjusted for condition and comparability, at their highest and best use	Management Valuation	June 2016	Available market information
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase cost and current condition (level 2 inputs), 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 by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
8 (a). INFRASTRUCTURE		
Infrastructure - roads & Bridges		
- Management valuation 2015 - level 3	103,437,769	103,437,769
- Additions after valuation - cost	2,194,723	823,530
Less accumulated depreciation	<u>(37,516,421)</u>	<u>(35,936,979)</u>
	68,116,071	68,324,320
Infrastructure - footpaths		
- Management valuation 2015 - level 3	715,715	715,715
- Additions after valuation - cost	127,611	29,176
Less accumulated depreciation	<u>(372,936)</u>	<u>(360,483)</u>
	470,390	384,408
Infrastructure - Sewerage		
- Management valuation 2015 - level 3	2,716,855	2,716,855
- Additions after valuation - cost	248,201	127,057
Less accumulated depreciation	<u>(1,433,112)</u>	<u>(1,378,865)</u>
	1,531,944	1,465,047
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	366,564	366,564
- Additions after valuation - cost	82,528	44,187
Less accumulated depreciation	<u>(28,240)</u>	<u>(17,470)</u>
	420,852	393,281
	<u>70,539,257</u>	<u>70,567,056</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads & Bridges	68,324,320	1,371,193	0	0	0	0	(1,579,442)	0	68,116,071
Infrastructure - footpaths	384,408	98,435	0	0	0	0	(12,453)	0	470,390
Infrastructure - Sewerage	1,465,047	121,144	0	0	0	0	(54,247)	0	1,531,944
Infrastructure - parks and ovals	393,281	38,341	0	0	0	0	(10,770)	0	420,852
Total infrastructure	<u>70,567,056</u>	<u>1,629,113</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,656,912)</u>	<u>0</u>	<u>70,539,257</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads & Bridges	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Sewerage	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Infrastructure - other

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 30TH JUNE 2017

	2017	2016
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	440,673	156,047
Accrued interest on debentures	21,440	23,191
Accrued salaries and wages	43,712	35,700
ATO liabilities	0	6,119
Aged Care Accommodation Bonds	3,272,119	1,452,492
Accrued Expenses	187,318	67,856
Income In Advance	20,599	0
	<u>3,985,861</u>	<u>1,741,405</u>

10. LONG-TERM BORROWINGS

Current

Secured by floating charge
 Debentures

	130,130	122,136
	<u>130,130</u>	<u>122,136</u>

Non-current

Secured by floating charge
 Debentures

	1,477,660	1,607,790
	<u>1,477,660</u>	<u>1,607,790</u>

Additional detail on borrowings is provided in Note 22.

11. PROVISIONS

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2016			
Current provisions	106,776	75,037	181,813
Non-current provisions	0	46,581	46,581
	<u>106,776</u>	<u>121,618</u>	<u>228,394</u>
Additional provision	(3,123)	(19,289)	(22,412)
Balance at 30 June 2017	<u>103,653</u>	<u>102,329</u>	<u>205,982</u>
Comprises			
Current	103,653	43,475	147,128
Non-current	0	58,854	58,854
	<u>103,653</u>	<u>102,329</u>	<u>205,982</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

12. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Plant and Vehicle Reserve	494,514	45,501	0	540,015	494,514	114,835	0	609,349	354,662	214,852	(75,000)	494,514
Housing Reserve	754,115	34,810	(24,160)	764,765	754,115	37,623	(780,000)	11,738	310,210	443,905	0	754,115
Furniture & Equipment Reserve	23,983	40,872	0	64,855	23,982	40,719	0	64,701	13,597	10,386	0	23,983
Municipal Building & Facility Reserve	115,627	103,539	(18,000)	201,166	115,626	103,469	0	219,095	83,312	32,315	0	115,627
Townscape & Footpath Reserve	142,081	3,164	(96,182)	49,063	142,080	4,262	(100,000)	46,342	235,807	6,274	(100,000)	142,081
Land Redevelopment Reserve	126,049	3,320	0	129,369	126,049	3,781	0	129,830	122,707	3,342	0	126,049
Sewerage Scheme Reserve	125,339	68,693	0	194,032	125,338	68,760	0	194,098	199,455	53,884	(128,000)	125,339
Road and Bridges Infrastructure Rese	187,018	105,529	0	292,547	187,018	105,611	0	292,629	45,568	141,450	0	187,018
Health & Aged Care Reserve	777,991	70,367	(71,185)	777,173	777,991	73,340	(165,000)	686,331	708,616	69,375	0	777,991
Community Bus Reserve	57,160	6,536	0	63,696	57,160	6,715	0	63,875	50,770	6,390	0	57,160
Sport & Recreation Reserve	10,125	267	0	10,392	10,124	304	0	10,428	9,856	269	0	10,125
Rehabilitation & Refuse Reserve	40,355	6,093	0	46,448	40,355	6,211	0	46,566	34,410	5,945	0	40,355
Saddleback Building Reserve	48,827	1,286	0	50,113	48,828	1,465	0	50,293	47,533	1,294	0	48,827
Caravan Park Reserve	127,936	3,317	(8,871)	122,382	127,936	3,838	(15,300)	116,474	124,544	3,392	0	127,936
Brookton Museum/Heritage Reserve	34,353	3,420	0	37,773	34,353	3,531	0	37,884	31,005	3,348	0	34,353
Kweda Hall Reserve	22,548	3,109	0	25,657	22,548	3,176	0	25,724	19,513	3,035	0	22,548
Aldersyde Hall Reserve	22,548	3,109	0	25,657	22,548	3,176	0	25,724	19,513	3,035	0	22,548
Railway Station Reserve	22,548	3,109	0	25,657	22,548	3,176	(18,000)	7,724	19,513	3,035	0	22,548
Madison Square Units Reserve	17,235	454	0	17,689	17,235	517	0	17,752	16,778	457	0	17,235
Cemetery Reserve	20,920	551	0	21,471	20,921	628	0	21,549	63,263	1,657	(44,000)	20,920
Water Harvesting Reserve	50,665	1,265	(11,627)	40,303	50,665	1,520	(21,000)	31,185	49,321	1,344	0	50,665
Developer Contribution Reserve	0	4,542	0	4,542	0	0	0	0	0	0	0	0
	<u>3,221,937</u>	<u>512,853</u>	<u>(230,025)</u>	<u>3,504,765</u>	<u>3,221,934</u>	<u>586,657</u>	<u>(1,099,300)</u>	<u>2,709,291</u>	<u>2,559,953</u>	<u>1,008,984</u>	<u>(347,000)</u>	<u>3,221,937</u>

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

**SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

12. RESERVES - CASH BACKED

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Plant and Vehicle Reserve	As budgeted	This reserve is for the purchase of major items in the Shire's plant and vehicle replacement program.
Housing Reserve	As budgeted	This reserve is for the construction of housing to meet future housing requirements.
Furniture & Equipment Reserve	As budgeted	This reserve is for the replacement of major items of furniture and equipment.
Municipal Building & Facility Reserve	As budgeted	This reserve is for the upgrading of Shire owned buildings and facilities.
Townscape & Footpath Reserve	As budgeted	This reserve is for the cost of major works to construct and upgrade footpaths and general townscape works.
Land Redevelopment Reserve	As budgeted	This reserve is to be used for the costs of land development.
Sewerage Scheme Reserve	As budgeted	This reserve is for major upgrades to the Brookton town sewerage and drainage infrastructure as required
Road and Bridges Infrastructure Reserve	As budgeted	This reserve is for the construction of roads and bridges within the Shire.
Health & Aged Care Reserve	As budgeted	This reserve is for the refurbishment of Saddleback Medical Centre and Kalkarni Residency.
Community Bus Reserve	As budgeted	This reserve is for the changeover of the Brookton Community Bus.
Sport & Recreation Reserve	As budgeted	This reserve is to be used to fund future sporting and recreation infrastructure.
Rehabilitation & Refuse Reserve	As budgeted	This reserve is to be used to fund the rehabilitation of the refuse site.
Unspent Grants & Contributions Reserve	As budgeted	This reserve is to be used to set aside any unspent grant funds at the end of each financial year.
Saddleback Building Reserve	As budgeted	This reserve is to be used for the Saddleback building to fund future upgrades and major maintenance of the building.
Saddleback Vehicle & Equipment Reserve	As budgeted	
Caravan Park Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the caravan park.
Brookton Museum/Heritage Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance of the museum.
Kweda Hall Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Kweda Hall.
Aldersyde Hall Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Aldersyde Hall.
Railway Station Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Railway Station.
Madison Square Units Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Madison Square Units.
Cemetery Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Cemetery.
Water Harvesting Reserve	As budgeted	This reserve is to be used to fund any upgrades or major maintenance on the Water Harvesting scheme infrastructure.
Developer Contribution Reserve	As budgeted	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.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

13. REVALUATION SURPLUS

	2017 Opening Balance	2017 Revaluation Increment	2017 Revaluation Decrement	2017 Total Movement on Revaluation	2017 Closing Balance	2016 Opening Balance	2016 Revaluation Increment	2016 Revaluation Decrement	2016 Total Movement on Revaluation	2016 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	6,485,929	5,341,282	0	5,341,282	11,827,211	6,485,929	0	0	0	6,485,929
Furniture and equipment	1,527	0	0	0	1,527	1,527	0	0	0	1,527
Plant and equipment	1,321,668	0	0	0	1,321,668	530,244	791,424	0	791,424	1,321,668
Infrastructure - roads & Bridges	59,836,350	0	0	0	59,836,350	59,836,350	0	0	0	59,836,350
Infrastructure - footpaths	247,229	0	0	0	247,229	247,229	0	0	0	247,229
Infrastructure - Sewerage	303,389	0	0	0	303,389	303,389	0	0	0	303,389
Infrastructure - parks and ovals	55,934	0	0	0	55,934	55,934	0	0	0	55,934
	68,252,026	5,341,282	0	5,341,282	73,593,308	67,460,602	791,424	0	791,424	68,252,026

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) 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:

	2017	2017	2016
	\$	Budget	\$
Cash and cash equivalents	<u>5,129,231</u>	<u>3,078,124</u>	<u>3,994,827</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	544,962	(1,865,974)	(598,611)
Non-cash flows in Net result:			
Depreciation	2,260,533	4,023,244	2,508,815
(Profit)/Loss on sale of asset	32,474	(9,248)	212,775
Reversal of loss on revaluation of fixed assets	0		
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(2,044,722)	0	(641,818)
(Increase)/Decrease in inventories	952	0	(5,888)
Increase/(Decrease) in payables	2,244,456	144,997	575,284
Increase/(Decrease) in provisions	(22,412)	0	(6,694)
Grants contributions for the development of assets	<u>(941,683)</u>	<u>(1,071,854)</u>	<u>(1,207,997)</u>
Net cash from operating activities	<u>2,074,560</u>	<u>1,221,165</u>	<u>835,866</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	10,000	10,000
Credit card balance at balance date	<u>(1,880)</u>	<u>(1,206)</u>
Total amount of credit unused	<u>8,120</u>	<u>8,794</u>
Loan facilities		
Loan facilities - current	130,130	122,136
Loan facilities - non-current	<u>1,477,660</u>	<u>1,607,790</u>
Total facilities in use at balance date	<u>1,607,790</u>	<u>1,729,926</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

15. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2017

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the reporting date.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the reporting date.

17. JOINT VENTURE ARRANGEMENTS

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

	2017	2016
Non-current assets		
Units 1,2,3,4 - 28 Williams Street (Madison Square Units)	112,566	92,460
Less: accumulated depreciation	0	(4,623)
	<u>112,566</u>	<u>87,837</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
04 Governance	1,780,630	2,018,738
03 General purpose funding	384,178	424,783
05 Law, order, public safety	776,083	801,576
08 Education and welfare	12,225,338	9,223,041
09 Housing	2,266,309	1,293,203
10 Community amenities	2,079,681	1,916,500
11 Recreation and culture	10,273,885	7,365,871
12 Transport	69,045,329	69,150,449
13 Economic services	951,569	1,126,924
14 Other property and services	2,707,120	2,254,847
Unallocated	2,735,016	1,663,055
	<u>105,225,138</u>	<u>97,238,987</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016	2015
19. FINANCIAL RATIOS			
Current ratio	1.27	1.15	1.49
Asset sustainability ratio	0.80	0.65	0.98
Debt service cover ratio	8.17	3.41	7.35
Operating surplus ratio	(0.10)	(0.46)	0.08
Own source revenue coverage ratio	0.46	0.43	0.48

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

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 60 of this document.

For 2017 - Three of the 2017 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant on 30 June 2017. The early payment of the grant increased operating revenue and current assets in 2017 by \$495,886.

For 2016 - The Debt Service Cover and Operating Surplus ratios disclosed above were distorted by the change to the payment of FAGs during the year ended 30 June 2016 which saw the advance payment of the following year's grants cease. This created a timing difference which resulted in an amount of some \$474,081 less revenue for the year.

For 2015 - The Current, Debt Service Cover and Operating Surplus ratios as disclosed above were distorted by an item of revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAG's) of \$474,081 which was received prior to year-end.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations would be as follows:

	2017	2016	2015
Current Ratio	1.16	No Adjustment	1.17
Debt service cover ratio	6.13	5.35	5.32
Operating surplus ratio	(0.22)	(0.34)	(0.05)

In addition, the Own Source Revenue Coverage Ratio is distorted by the revenue of the Kalkarni Residential Aged Care Facility not being treated as Own Source Operating Revenue in accordance with the Department of Local Government ratio guidelines. The ratio below reflects the recalculation if the revenue from the Kalkarni Aged Care Facility was treated as Own Source Operating Revenue:

Own Source revenue Coverage Ratio	0.78	0.73	0.84
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SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

20. TRUST FUNDS

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

	1 July 2016	Amounts Received	Amounts Paid	30 June 2017
	\$	\$	(\$)	\$
Housing Bonds	180	2,860	(3,040)	0
Other Bonds	10,120	13,724	(10,785)	13,059
Rates Incentive Prize	200	200	(200)	200
Les McMullen Sporting Grants	6,759	464	0	7,223
Gnulla Child Care Facility	3,073	0	0	3,073
Wildflower Show Funds	1,240	0	0	1,240
Public Open Space Contributions	13,820	0	0	13,820
Developer Road Contributions	4,915	0	(4,915)	0
	<u>40,307</u>			<u>38,615</u>

21. DISPOSALS OF ASSETS - 2016/17 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
CEO Vehicle	37,695	27,364	0	(10,331)	24,582	25,000	418	0
DCEO Vehicle					23,025	22,000	0	(1,025)
Sale of Surplus Equipment		270	270	0				
Community amenities								
Shire Planner Vehicle	28,694	22,273	0	(6,421)	28,918	22,000	0	(6,918)
Transport								
Grader D Series	113,678	87,500	0	(26,178)	102,745	100,000	0	(2,745)
Works Supervisor Ute					30,597	20,000	0	(10,597)
Dual Cab Utility - Foreman	26,597	15,455	0	(11,142)	14,809	20,000	5,191	0
Economic services								
Lot 100 Korrong Drive	30,075	50,000	19,925	0	30,076	55,000	24,924	0
Other property and services								
Sales of Redundant Equipment		182	182	0				
2014 3.5T Polmac Fuel Trailer	6,624	7,845	1,221	0	-	-		
	<u>243,363</u>	<u>210,889</u>	<u>21,598</u>	<u>(54,072)</u>	<u>254,752</u>	<u>264,000</u>	<u>30,533</u>	<u>(21,285)</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	Actual	Budget	Actual
	2016		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Governance								
75 Office Renovations	60,436	0	4,178	4,178	56,258	56,258	4,125	4,239
Education and welfare								
80 Kalkarni Residence	95,643	0	7,356	7,356	88,287	88,287	5,744	5,858
Housing								
80 Staff Housing	160,249	0	12,324	12,137	147,925	148,112	9,477	9,666
Community amenities								
80 Sewerage	62,073	0	4,775	5,149	57,298	56,924	4,021	4,101
Recreation and culture								
81 Sport and Recreation	728,458	0	43,143	43,143	685,315	685,315	54,401	54,784
Transport								
80 Grader	160,248	0	12,324	12,137	147,924	148,111	9,477	9,666
Other property and services								
	1,267,107	0	84,100	84,100	1,183,007	1,183,007	87,245	88,314
Self Supporting Loans								
General purpose funding								
78 Senior Citizens Homes	130,452	0	12,783	12,783	117,669	117,669	9,421	9,458
79 Multifunctional Family Centre	39,429	0	7,904	7,904	31,525	31,525	2,254	2,445
82 Country Club	292,938	0	17,349	17,349	275,589	275,589	21,878	22,032
Housing								
	462,819	0	38,036	38,036	424,783	424,783	33,553	33,935
	1,729,926	0	122,136	122,136	1,607,790	1,607,790	120,798	122,249

Self supporting loans are financed by payments from third parties.

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 30TH JUNE 2017**

22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(d) Overdraft

The Shire does not hold an overdraft facility.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Actual Rate Revenue \$	Actual Interim Rates \$	Actual Back Rates \$	Actual Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV - Commercial	0.104740	22	485,836	50,887	0	0	50,887	50,886	0	0	50,886
GRV - Residential	0.104740	240	2,357,709	250,938	0	0	250,938	246,947	0	0	246,947
GRV - Industrial	0.104740	5	65,936	6,906	0	0	6,906	6,906	0	0	6,906
GRV - Rural	0.104740	2	332,500	34,827	0	0	34,827	34,826	0	0	34,826
Non Rateable/Exmpt Properties		271	298,012	0	0	0	0	0	0	0	0
Unimproved value valuations											
Unimproved Value (UV)	0.009995	263	137,063,065	1,369,935	0	0	1,369,935	1,369,945	0	0	1,369,945
Sub-Total		803	140,603,058	1,713,493	0	0	1,713,493	1,709,510	0	0	1,709,510
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Commercial	751	9	36,077	6,759	0	0	6,759	6,759	0	0	6,759
GRV - Residential	751	72	217,196	54,072	0	0	54,072	54,072	0	0	54,072
GRV - Industrial	751	1	5,980	751	0	0	751	751	0	0	751
GRV - Rural	751	0	0	0	0	0	0	0	0	0	0
Unimproved value valuations											
Unimproved Value (UV)	1,287	96	8,521,303	123,552	0	0	123,552	124,839	0	0	124,839
Sub-Total		178	8,780,556	185,134	0	0	185,134	186,421	0	0	186,421
		981	149,383,614	1,898,627	0	0	1,898,627	1,895,931	0	0	1,895,931
Discounts/concessions (refer note 27)							(1,788)				(1,000)
Total amount raised from general rate							1,896,839				1,894,931
Ex-gratia rates							22,304				22,304
Totals							1,919,143				1,917,235

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

24. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2016 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	<u>1,258,719</u>	<u>572,848</u>	<u>572,848</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,621,187	599,037	599,037
Restricted	3,508,044	3,395,790	3,395,790
Receivables			
Rates outstanding	43,547	13,815	13,815
Sundry debtors	59,398	63,340	63,340
GST receivable	46,362	0	0
Loans receivable - clubs/institutions	40,605	38,036	38,036
Aged Care Facility Bonds	3,272,119	1,452,492	1,452,492
Prepayments & Accrued Income	330,395	177,156	177,156
Inventories			
Fuel and materials	15,421	16,373	16,373
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(440,673)	(156,047)	(156,047)
Accrued interest on debentures	(21,440)	(23,191)	(23,191)
Accrued salaries and wages	(43,712)	(35,700)	(35,700)
ATO liabilities	0	(6,119)	(6,119)
Aged Care Accommodation Bonds	(3,272,119)	(1,452,492)	(1,452,492)
Accrued Expenses	(187,318)	(67,856)	(67,856)
Income In Advance	(20,599)	0	
Current portion of long term borrowings			
Secured by floating charge	(130,130)	(122,136)	(122,136)
Provisions			
Provision for annual leave	(103,653)	(106,776)	(106,776)
Provision for long service leave	(43,475)	(75,037)	(75,037)
Unadjusted net current assets	<u>4,673,959</u>	<u>3,710,685</u>	<u>3,710,685</u>
Adjustments			
Less: Reserves - restricted cash	(3,504,765)	(3,221,937)	(3,221,937)
Less: Loans receivable - clubs/institutions	(40,605)	(38,036)	(38,036)
Add: Secured by floating charge	130,130	122,136	122,136
Adjusted net current assets - surplus/(deficit)	<u><u>1,258,719</u></u>	<u><u>572,848</u></u>	<u><u>572,848</u></u>

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

25. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

The Shire did not levy any specified area rates.

26. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

The Shire did not impose any service charges.

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS - 2016/2017 FINANCIAL YEAR

Rates Discounts

The Shire did not off any rates discounts in the 2016/17 financial year.

Rate or Fee Discount Granted	Discount % or \$	Actual	Budget	Circumstances in which Discount is Granted
		\$	\$	
		0	0	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount % or \$	Actual	Budget	Circumstances in which the Waiver or Concession is Granted and to whom it was available
			\$	\$	

Waiver	Interest		584	103	It is a Shire of Brookton policy to write off rates penalty interest amounts between \$0 and \$5 that remain outstanding after all other rates and service charges have been paid in full.
Unimproved Value Rates	A122		709	600	The Shire of Brookton offered a rates concession to property owners whose contiguous property crosses a shire boundary, resulting in a portion of the property being assessed at the minimum rate. The concession granted is the equivalent of the difference between the minimum rate and the amount resulting from the calculation of the valuation multiplied by the rate in the dollar.
Unimproved Value Rates	A803		495	400	
			<u>1,788</u>	<u>1,103</u>	

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

28. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	19-Sep-16	0	0.00%	11.00%
Option Two				
First Instalment	19-Sep-16	0	0.00%	
Second Instalment	30-Jan-17	10	5.50%	
Option Three				
First Instalment	19-Sep-16	0	0.00%	
Second Instalment	21-Nov-16	10	5.50%	
Third Instalment	30-Jan-17	10	5.50%	
Fourth Instalment	10-Apr-17	10	5.50%	
			Revenue	Budgeted Revenue
			\$	\$
Interest on unpaid rates			4,910	4,800
Interest on instalment plan			7,726	10,700
Charges on instalment plan			4,090	4,500
			16,726	20,000
			16,726	20,000

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

29. FEES & CHARGES	2017	2016
	\$	\$
Governance	127	74
General purpose funding	6,454	5,956
Law, order, public safety	3,893	6,068
Health	464	55
Education and welfare	1,234,034	1,073,434
Housing	104,294	90,793
Community amenities	340,325	314,144
Recreation and culture	43,742	43,756
Economic services	42,903	45,760
Other property and services	20,900	34,232
	<u>1,797,136</u>	<u>1,614,272</u>

There was several budget amendments altering the fees and charges during the year which has altered the amount of the fees or charges detailed in the original budget.

30. GRANT REVENUE

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

By Nature or Type:	2017	2016
	\$	\$
Operating grants, subsidies and contributions		
General purpose funding	1,425,928	454,926
Law, order, public safety	25,403	39,902
Education and welfare	2,777,809	2,761,871
Transport	77,614	71,200
	<u>4,306,754</u>	<u>3,327,899</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	338,914
Community amenities	95,000	140,000
Recreation and culture	5,000	32,000
Transport	841,683	697,083
	<u>941,683</u>	<u>1,207,997</u>
	<u>5,248,437</u>	<u>4,535,896</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

23	23
----	----

32. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees*	20,314	34,400	28,000
President's allowance	1,151	1,500	1,500
Deputy President's allowance	255	375	375
Travelling expenses*	770	4,120	2,801
	<u>22,490</u>	<u>40,395</u>	<u>32,676</u>

*the Meeting Fees and Travelling expenses are lower than the budget due to Elected Members failing to claim these fees during the year, these allowances were paid subsequent to year end.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

33. MAJOR LAND TRANSACTIONS

Koorng Residential Subdivision

(a) Details

Council currently holds 7 lots of land that are available for sale. In the 2016/17 year Lot 100 Korrng Drive was sold.

(b) Current year transactions	2017	2017	2016
	\$	Budget	\$
Operating income			
- Profit on sale	19,925	20,548	0
Capital income			
- Sale proceeds	50,000	55,000	0
Capital expenditure			
- Purchase of land	30,075	30,075	0
- Other costs	0	4,377	0
	<u>30,075</u>	<u>34,452</u>	<u>0</u>

(c) Expected Future Cash Flows

	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$
Cash outflows					
- Development costs	0	0	0	0	0
- Loan repayments	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash inflows					
- Loan proceeds	0	0	0	0	0
- Sale proceeds	50,000	0	0	0	50,000
	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Net cash flows	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>

The Shire expects to sell 1 lot of the 7 held for resale.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did participate in any trading undertakings or major trading undertakings during the 2016/17 financial year.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	5,129,231	3,994,827	5,129,231	3,994,827
Investments	5,000	5,000	5,000	5,000
Receivables	4,208,035	2,201,349	4,208,035	2,201,349
	<u>9,342,266</u>	<u>6,201,176</u>	<u>9,342,266</u>	<u>6,201,176</u>
Financial liabilities				
Payables	3,985,861	1,741,406	3,985,861	1,741,406
Borrowings	1,607,790	1,729,926	1,905,555	2,118,111
	<u>5,593,651</u>	<u>3,471,332</u>	<u>5,891,416</u>	<u>3,859,517</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

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

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

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

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2017	2016
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	500	500
- Statement of Comprehensive Income	500	500
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	51,292	39,948
- Statement of Comprehensive Income	51,292	39,948

Notes:

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

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	74%	99%
- Overdue	26%	1%

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	3,985,861	0	0	3,985,861	3,985,861
Borrowings	233,990	1,154,733	1,054,280	2,443,003	1,607,790
	<u>4,219,851</u>	<u>1,154,733</u>	<u>1,054,280</u>	<u>6,428,864</u>	<u>5,593,651</u>
<u>2016</u>					
Payables	1,741,406	0	0	1,741,406	1,741,405
Borrowings	233,990	1,164,878	1,278,125	2,676,993	1,729,926
	<u>1,975,396</u>	<u>1,164,878</u>	<u>1,278,125</u>	<u>4,418,399</u>	<u>3,471,331</u>

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	31,525	1,576,265	1,607,790	6.43%
Weighted average Effective interest rate					5.82%	6.58%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
Debentures	0	0	0	0	0	1,729,926	1,729,926	6.53%
Weighted average Effective interest rate						6.53%		

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

36. AGED CARE REPORTING NOTE

This note discloses the revenue, expenditure, assets and liabilities of the Kalkarni Aged Care Facility in accordance with subparagraph 21.26F(3)(e) of the Residential Care Subsidy Principals 1997.

	Kalkarni Residential Aged Care	
	2017	2016
	\$	\$
Revenue		
Operating Grants, Subsidies and Contributions	2,777,809	2,695,871
Fees and Charges	1,011,950	907,604
Total Revenue	<u>3,789,759</u>	<u>3,603,475</u>
Expenditure		
Materials and Contracts	(3,571,762)	(3,556,932)
Borrowing Costs	(5,744)	(6,201)
Depreciation of assets	(186,547)	(200,850)
Other Expenditure	(68,328)	(142,424)
Total Expenditure	<u>(3,832,381)</u>	<u>(3,906,407)</u>
Operating Result	<u>(42,622)</u>	<u>(302,932)</u>
Assets		
Current assets	3,602,514	1,629,648
Non-current assets	8,108,243	6,926,495
Total assets	<u>11,710,757</u>	<u>8,556,143</u>
Liabilities		
Current liabilities	3,459,436	1,531,519
Non-current liabilities	0	0
Total liabilities	<u>3,459,436</u>	<u>1,531,519</u>

Accounting Policies

Revenues and expenses are those directly attributable to the Kalkarni Aged Care Facility and include any joint revenue and expenses where a reasonable basis of allocation exists. Assets include all assets used by the Kalkarni Aged Care Facility and consist principally of cash, receivables, inventories and property, plant and equipment net of any allowances and accumulated depreciation and amortisation. Kalkarni Aged Care Facility liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

37. Related Party Disclosures

(i) Key Management Personnel Compensation Disclosure

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

	2017
Short-term employee benefits	453,630
Post-employment benefits	62,948
Other long-term benefits	44,642
Termination benefits	150,972
Total KMP compensation	712,192

Short-term employee benefits

These amounts include all salary, paid leave benefits, fringe benefits and cash bonuses awarded to KMP. Details in respect to fees and benefits paid to Councilors may be found at Note 32

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year

Termination benefits

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

(ii) Transactions with related parties

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

The following transactions occurred with related parties:

	2017
Associated companies/individuals	
Sale of goods and services	-
Purchase of goods and services	45,115
Joint venture entities	
Distributions received from jv entities	-
Amounts outstanding from related parties	
Trade and other receivables	-
Loans to associated entities	-

(iii) Loans to/from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

(iv) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace, WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

www.moorestephenswa.com.au

INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF BROOKTON

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Brookton (the Shire), which comprises the statement of financial position as at 30 June 2017, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

In our opinion, the financial report of the Shire of Brookton is in accordance with the *Local Government Act 1995 (as amended)* and the *Local Government (Financial Management) Regulations 1996 (as amended)*, including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 60 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not supported by:
 - i. verifiable information; and
 - ii. reasonable assumptions.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

Management is responsible for the preparation of this financial report that gives a true and fair view in accordance with Australian Accounting Standards, *the Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended) and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management 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.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 7 December 2017
Perth, WA

**SHIRE OF BROOKTON
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

RATIO INFORMATION

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

	2017	2016	2015
Asset consumption ratio	0.71	0.70	0.64
Asset renewal funding ratio	0.80	0.81	0.66

The above ratios are calculated as follows:

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