



Next Generation >
BROOKTON

ANNUAL REPORT
2017/2018 >

BROOKTON

= all of our community
= live, work and visit

Acknowledgement of Country

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



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Shire President Message

The 2017-2018 years has been one of significant community activity and I am pleased to present this report to the Brookton Community.

The Shire commenced and completed its Integrated Planning and Reporting framework requirements and in consultation with the community, developed the Next Generation BROOKTON suite of plans.

During this phase more than 200+ people participated in developing the Next Generation BROOKTON Strategic Community Plan 2027>, the highest amount of community participation in such a process for the Shire of Brookton.

The Shire was fortunate to have Sally Carbon from Green 11 help us to facilitate the process and as a result the Community & the Shire developed 5 key planning documents.

More significantly the Shire developed the Innovations Pathway to help both the Shire and the Community collaborate together to drive innovation and transparency in all the things we do.

The Shire listened throughout this process and the Innovations Pathway is a community-driven, fluid, decision-making pathway that is guided by the Communities outcomes in the Next Generation BROOKTON 2027> plan.

During the 2017-2018 year, the Shire saw a number of staff movements and changes to the organisation structure. Planning and compliance was the mantra of the Shire during this period and the introduction of the new auditing regime by the Office of the Auditor General is to commence in the next financial year highlighting another significant compliance change from the State Government.

Projects such as Town Planning Scheme No. 4 were commenced but not completed this year due to operational requirements. The passive solar house tender came in well over the budgeted estimate and Council determined that the cost was excessive given the project. Other projects such as the York-Williams Road construction continue to be part of a number of major capital projects for the Shire and the development of an asset management plan will be pursued in the next financial year.

However, the Shire continued to lobby the State and Federal Governments in the areas of:

- ⇒ State and local road conditions and commodity route funding options
- ⇒ Secondary Freight Routes
- ⇒ Aged care and allied medical services

Council is committed to continuing to listen to the community and to ensuring that the future of the Shire is aligned to the Next Generation BROOKTON Strategic Community Plan 2027>. This is what you told us and this is what we will aim to deliver.

On behalf of the past and present Councillors I thank you for commencing this journey with me and I welcome your ideas.

Cr Katrina Crute
SHIRE PRESIDENT

Chief Executive Officer's Message

It is with pleasure I provide the following information to constituents of the Shire of Brookton and include the statutory reporting requirements for the 2017/2018 financial year. In summary, I seek to highlight some of the key outcomes for the year:

1. Auditing and Financial Performance

The Shire of Brookton, as the first local government in Western Australia to be audited by the Office of the Auditor General (AOG), has experienced a more rigorous overview of the Shire's performance this financial year, with the auditors being present in the office for a period of 4 weeks (as opposed to 3 days by the previous auditors) working closely with staff.

The end result has seen a number of shortcomings in the organisation's governance and risk exposure being identified, yet simultaneously has yielded increased understanding and improvement in accountability, risk mitigation, and fundamental procedures to enhance the Shire's performance.

The auditing has also involved a detail review of the organisation's financial performance and position as reflected in the Audited Financial Report for the 2017/18 year appended to the rear of this document.

Overall, through the guidance received from the AOG, it is acknowledged that further measures can be implemented to improve the Shire's performance by adopting and implementing responsible practices, and enhancing better understanding, associated with:

- training and education of staff and elected members;
- procurement procedures that are fundamentally based on achieving value for money in a transparent manner;
- contract management through improved oversight; and
- integrated planning that affords a more holistic approach working with the community and key stakeholders.

2. Future Planning

It is pleasing to report that review of the Shire's Integrated Planning and Reporting (IPR) framework was completed in April 2018, with adoption of the BROOKTON Strategic Community Plan (SCP) >2027 and the Council's Corporate Business Plan (CBP) < 2021.

Further commentary and information on the Shire IPR process is detailed in the Shire President's address and the body of this report.

Also, progress was made on the Shire of Brookton draft Local Planning Scheme No.4 that involved public advertising over a 3 month period with 11 submission being received, all from government agencies. This culminated in final adoption of the document by Council, based on a range of modifications for further consideration by the Department of Planning and Western Australian Planning Commission.

Chief Executive Officer's Message (cont...)

3. Infrastructure and Works

During 2017/18 financial year the Shire continued with its road works programs that entailed:

- Sealing works for Brookton Kweda Road – approximately 2 kilometres.
- Sealing works for York-Williams Road – Approximate distance of 3 kilometres.
- Rejuvenation of Whittington Street including road and car parking reseal, new kerbing, footpath replacement and landscaping
- Annual road maintenance involving routine grading of unsealed roads across the district and works on townsite roads.

4. Regulatory Services

From a development perspective, the Shire received and processed 17 planning applications and issued 16 building permits for the year (mostly shed structures), which appears to be consistent with other years.

Environmental Health was limited with three food premise inspections being performed, and routine water sampling and monitoring of the Shire Waste Water Treatment Plant and the Brookton Public Swimming Pool.

As for ranger services, WA Contract Rangers continued to provide excellent service and coverage on an as required basis, and responded to a range of community needs and compliance requirements, including (but not limited to) collection of stay dogs, capture of feral cats, and attendance to dog attacks, barking dogs, mistreatment of animals, and inspection of fire breaks.

5. Other Initiatives

Other initiatives of note for the year, includes:

- Review and renegotiation of the Brookton Tennis Club Lease.
- Renewal of service contracts for Swimming Pool Management, Ranger Services, Health and Building Services, Bulk Cartage Services and Plant Hire.
- Acquisition of freehold land for the Kalkarni Aged Care Residential Facility and Saddleback Medical Facility.
- Commissioning of the Happy Valley water supply to support irrigation of the Brookton Oval.
- Transfer of ownership and ongoing management responsibility of the Senior Citizen Homes Independent Living Units in Brookton.
- Organisational restructure.

Chief Executive Officer's Message (cont...)

6. Regional Participation

As with other years, the Shire has contributed to regional initiatives throughout the year with the focus mainly centered on the proposed Secondary Freight Network Project for the broader Wheatbelt, coordinated through the Wheatbelt Regional Road Group North and South.

7. Council and Staff

Throughout the year the Shire experienced the departure of a number of employees who greatly contributed to the organisation and offered considerable support to the Brookton community. In recognising their efforts, I do need to make special mention of the former long term employees in Mrs Carina Whittington (16 years); Mrs Fleur Wilkinson (22 years) and Geoff Forward (25 years), and thank all of them for their commitment, contribution and loyalty in serving the Brookton community over their many years of service. Also, I take this opportunity to welcome the new employees who joined us during the 2017/18 financial year, and thank them for their contribution to date.

As for the elected members, my sincere thanks extends to all Councillors for their un-waived support and confidence in the Shire Administration to deliver core services for the betterment of all Brookton residents and rate-payers.

I look forward to working with the elected members, staff and the community to meet the many challenges that lay ahead for the Shire of Brookton.

Ian D'Arcy
Chief Executive Officer

Council and Executive

BROOKTON Vision by 2027

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





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Senior Staff



Council had four designated senior employee position in accordance with section 5.37 of the *Local Government Act 1995*.

Chief Executive Officer	Mr Ian D'Arcy
Deputy Chief Executive Officer	Ms Vicki Morris
Principal Works Supervisor	Mr Geoff Forward
Community Services Manger	Ms Carina Whittington (Resigned December 2017)

The Shire of Brookton employed approximately 23 full time equivalent (FTE) staff during the 2017/2018 year but closed the year with 20 FTEs. These included the senior staff listed above, as well as multi-skilled staff for road maintenance and construction, maintenance of town parks and gardens, finance, statutory planning and administration.

Regulation 19B of the Local Government (Administration) Regulations 1996 requires the annual report to contain the details of the number of employees of the local government entitled to an annual salary of \$100,000 or more in bands of \$10,000 for each such band over \$100,000.

Salary Range	2018	2017
\$100,000 — \$109,999	1	1
\$110,000 — \$119,999	0	0
\$120,000 — \$129,999	0	0
\$130,000 — \$139,999	1	1

Location

The town of Brookton is situated 138km east/south-east of Perth on the Brookton highway. The Shire of Brookton covers an area of 1,626km², and also includes the localities of Jelcobine, Aldersyde and Kweda. The population of the Shire is estimated to be 990 (*Census 2016*).

Being less than 100km from the Perth metropolitan area, Brookton is a comfortable one hour drive from Karragullen and enjoys many lifestyle benefits of outer metropolitan country living. The Shire of Brookton borders the Shires of Wandering, Beverley, Quairading, Corrigin and Pingelly.

The Brookton district is considered the Gateway to the Central South and is renowned for local events such as the Old Time Motor Show which is held biennially. Tourist attractions include the Old Railway Station and Police Museum located on Robinson Road, the Jack Hansen Ruins at Nine Acre Rock, a Look Out situated west of Brookton overlooking the town, Heritage Trail, Boyagin Rock reserve and the Yenyening Lakes.

Shire of Brookton Mission

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



Shire Profile

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

Shire of Brookton Administration Centre

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

Shire of Brookton Works Depot

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

Brookton Public Swimming Pool

Brookton Highway
(P O Box 42)
BROOKTON WA 6306
Telephone: (08) 9642 1112
Email: mail@brookton.wa.gov.au



Shire Profile (cont...)

Key Facts - Our Shire	
Area	1,626 square Kilometres
Population	975 (as at 2016 Census)
Median Age	48 (as at 2016 Census)
Number of Dwellings	506 (as at 2016 Census)
Number of Council Employees	20
Number of Elected Members	7
Distance from Perth	138 kilometres
Length of Roads - Sealed	205 kilometres
Length of Roads - Unsealed	438 kilometres

Annual Report Overview

In 2017/8, the Shire of Brookton commenced a significant community engagement campaign (Next Generation Brookton) to review its current Strategic Community Plan and Corporate Business Plan to better reflect the needs and aspirations of our community, both now and into the future.

Through BROOKTON's community engagement process 2017, BROOKTON's community overwhelmingly voted for collaboration, transparency and insight-driven decision-making. The Shire of Brookton listened and has since created BROOKTON's Innovations Pathway. This is a community-driven, fluid, decision-making pathway which is to be guided completely by outcomes desired in Next Generation BROOKTON 2027>. There are three decision-making teams, and these teams are there to ensure the decisions are aligned to Next Generation BROOKTON 2027>, rather than decisions the teams consider are best. The Pathway is in place to assist community groups, and even the Shire, to create, research or fund deliverables to achieve The BROOKTON 20. Therefore, the first decision will be 100 per cent alignment with one or more outcomes within The BROOKTON 20.

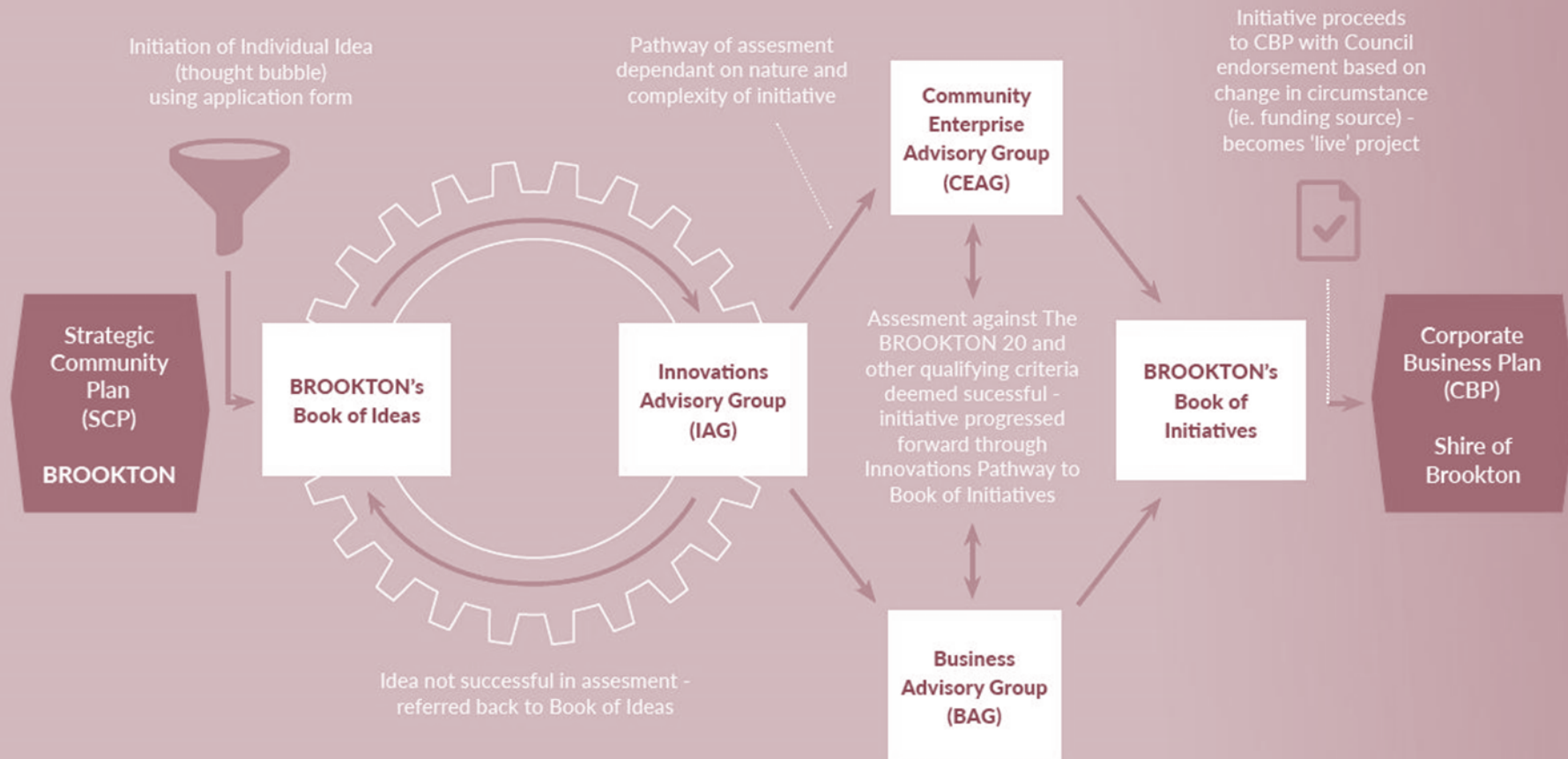
The community-members will also be tracking equality between the stated qualifications of work, live and visit listings, and equality between demographic groups and community segments. The Shire of Brookton will be reporting on the success of BROOKTON's Innovations Pathway.

BROOKTON community proponents are encouraged to achieve The BROOKTON 20 outcomes independent of Shire of Brookton funding and support. The Innovations Pathway is available if community members or proponents desire Shire of Brookton support to achieve their initiative.

Next Generation BROOKTON 2027> Strategic Community Plan is the people's plan. It's a long-term planning document that sets out BROOKTON's community vision and aspirations for the future. The Strategic Community Plan is the parent document, which is used by community members, external members and the Shire of Brookton to enable all groups to collaborate, achieve, decide and fund. The Strategic Community Plan is part of the Integrated Planning and Reporting (IPR) Framework required by all local governments in Western Australia and sets a 10 year target. As a community we're to update this plan every two years internally, and every four years externally.

Annual Report Overview (cont...)

INNOVATIONS PATHWAY



Disability Access and Inclusion Plan

People with disability have the same fundamental rights and responsibilities as all other members of the community. These rights are founded on principals of human rights and social justice. The Shire of Brookton's Disability Access and Inclusion Plan (DAIP) ensures that people with disability get a 'fair go' at accessing and participating in all aspects of life in Brookton.

It is a requirement of the *Disability Services Act 1993* (DSA) that local government authorities develop and implement a DAIP that outlines the ways in which the authority will ensure that people with disability have equitable access to its facilities and services.

The Shire of Brookton believes that people with diverse needs who live in country areas should be supported to remain in the community of their choice. To identify the support most appropriate to offer the shire has committed to continue to review barriers to access and inclusion within the district with the objective to systematically implement strategies to remove or minimise as many of them as possible.

The strategies and plans outlined in this DAIP for 2018-2023 are intended to enhance and improve disability access and inclusion in the Shire district in order to encompass the diverse needs and requirements of people with disability that live and visit the Brookton area.

The achievements for the year ended 30 June 2018 are listed below and grouped into the outcome areas addressed in the Shire of Brookton's DAIP 2018-2013.

- Services and events organized by the Shire of Brookton are accessible for all members of the community.
- All buildings and facilities within the control of the Shire of Brookton are subject to achieving universal access as defined by relevant Australian Standards.
- All information provided by the Shire of Brookton shall be available in alternative formats upon request.
- The Shire of Brookton provides consistent and equitable service to all people.
- The Shire of Brookton provides accessible means for a person to make a complaint and these complaints are fully investigated and communicated in an accessible format.
- The Shire of Brookton provides effective support for all people to be able to contribute to public contributions.
- The Shire of Brookton provides people with disability the same opportunities as other people to obtain and maintain employment.

Disability Access and Inclusion Plan (cont...)

Achievements

Some of the key outcomes achieved through this plan is 2017/2018 included:

- The provision of additional ACROD parking facilities at the administration building and the Town Hall;
- Completion of continuous concrete footpath with access ramps, along Whittington Street;
- Continued provision of Council Minutes and Agendas in alternative formats;
- Additional support and resources being made available to employees with a medical condition;

For more information or to access a copy of the full Disability Access and Inclusion Plan, visit the Shire of Brookton website at www.brookton.wa.gov.au



Disability

is

NOT

inability

Freedom of Information Statement

The Shire of Brookton has been subject to the provisions of the Freedom of Information Act 1992 since the Act was first introduced. The Act gives a general right of access to information held by the Shire, subject to limitations as set out in Clauses 1 to 15 of Schedule 1 to the Freedom of Information Act.

The Act is intended to make Government, its agencies and officers more accountable. It is not intended to open the private and professional lives of its citizens to public scrutiny without the consent of the individuals concerned, where there is no demonstrable benefit to the public interest in doing so.

In 2017/18, the Shire received and responded to 1 request under the Act.

The Shire maintains a public register of applications received, including a summary of records sought and decisions made.

Please contact the Shire of Brookton Administration Centre at the following address if you have a query regarding any of the above Freedom of Information Statement or if you would simply like more information:

Shire of Brookton Administration Centre
14 White Street
(PO Box 42)
Brookton WA 6306
Telephone: (08) 9642 1106



Other Statements

State Records Act 2000

A full review on the Shire's Record Keeping Plan was last conducted in 2014. The Shire has reviewed its record keeping practices in the 2017/18 year and identified the need to investigate the options for an electronic record keeping system. It is envisaged that in the 2018/19 year the Shire will invest in an Electronic Document Management System that is compatible with the existing Synergy Software.

Section 28 of the *State Records Act 2000* requires that no more than 5 years must elapse between approval of a Record Keeping Plan and its review. The Shire must review its plan in the 2018/19 year.



National Competition Policy

During the 2017/2018 financial year, the Shire met its obligation concerning National Competition Policy. The Shire has no local laws or policies that contain anti-competitive provisions. No Complaints were received during the period.

Occupational Health & Safety



Appendix 1

**The best preparation for
tomorrow is doing your
best today**

H. Jackson Brown, Jr.

Annual Financial Report 2017/2018

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

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Principal place of business:
14 White Street (PO Box 42) Brookton
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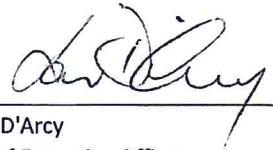
**SHIRE OF BROOKTON
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed as authorisation of issue on the *TENTH* day of *DECEMBER* 2018



Ian D'Arcy
Chief Executive Officer

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

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue				
Rates	23	2,060,529	2,037,402	1,919,143
Operating grants, subsidies and contributions	30	3,529,337	3,571,354	4,306,754
Fees and charges	29	1,835,405	1,543,835	1,797,136
Interest earnings	2(a)	197,489	195,746	176,018
Other revenue		<u>1,304,715</u>	<u>117,169</u>	<u>160,066</u>
		8,927,475	7,465,506	8,359,117
Expenses				
Employee costs		(1,382,775)	(1,514,122)	(1,190,912)
Materials and contracts		(4,719,899)	(4,932,976)	(4,684,923)
Utility charges		(138,581)	(149,894)	(131,810)
Depreciation on non-current assets	2(a)	(2,099,883)	(1,936,295)	(2,260,533)
Interest expenses	2(a)	(111,956)	(113,800)	(120,798)
Insurance expenses		(160,602)	(180,181)	(198,062)
Other expenditure		<u>(126,474)</u>	<u>(25,629)</u>	<u>(136,326)</u>
		(8,740,170)	(8,852,896)	(8,723,364)
		187,304	(1,387,389)	(364,247)
Non-operating grants, subsidies and contributions	30	622,578	487,432	941,683
Profit on asset disposals	21	3,975	0	21,598
(Loss) on asset disposals	21	(288,472)	(12,817)	(54,072)
Fair value adjustments to financial assets at				
(Loss) on revaluation of Infrastructure - Sewerage	8(b)	<u>(31,537)</u>	<u>0</u>	<u>0</u>
Net result		493,848	(912,774)	544,962
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	<u>2,072,525</u>	<u>0</u>	<u>5,341,282</u>
Total other comprehensive income		2,072,525	0	5,341,282
Total comprehensive income		<u>2,566,374</u>	<u>(912,774)</u>	<u>5,886,244</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 2018

	NOTE	2018 \$	2018 Budget \$	2017 \$
Revenue	2(a)			
Governance		36,075	18,190	17,261
General purpose funding		2,658,379	2,652,676	3,497,006
Law, order, public safety		39,820	37,730	29,296
Health		995	2,200	1,074
Education and welfare		5,506,989	4,058,507	4,069,702
Housing		108,173	92,300	107,238
Community amenities		361,170	349,954	365,505
Recreation and culture		53,725	79,992	78,661
Transport		50,549	85,417	87,715
Economic services		51,889	54,440	48,293
Other property and services		59,710	34,100	57,366
		<u>8,927,475</u>	<u>7,465,506</u>	<u>8,359,117</u>
Expenses	2(a)			
Governance		(595,467)	(766,365)	(630,894)
General purpose funding		(192,625)	(226,657)	(195,940)
Law, order, public safety		(122,146)	(117,754)	(161,571)
Health		(38,364)	(54,452)	(47,470)
Education and welfare		(3,941,638)	(3,726,380)	(4,004,448)
Housing		(125,854)	(166,788)	(114,489)
Community amenities		(349,956)	(434,249)	(371,564)
Recreation and culture		(690,204)	(835,240)	(736,559)
Transport		(2,155,401)	(2,110,471)	(2,158,453)
Economic services		(101,358)	(179,293)	(106,373)
Other property and services		(315,200)	(121,447)	(74,805)
		<u>(8,628,213)</u>	<u>(8,739,095)</u>	<u>(8,602,566)</u>
Finance costs	2(a)			
Governance		(3,819)	(3,938)	(4,125)
General purpose funding		(30,725)	(31,132)	(33,553)
Education and welfare		(5,271)	(5,452)	(5,744)
Housing		(8,697)	(8,996)	(9,477)
Community amenities		(3,690)	(3,817)	(4,021)
Recreation and culture		(51,058)	(51,468)	(54,401)
Transport		(8,697)	(8,996)	(9,477)
		<u>(111,957)</u>	<u>(113,800)</u>	<u>(120,798)</u>
		187,305	(1,387,389)	(364,247)
Non-operating grants, subsidies and contributions	30	622,578	487,432	941,683
Profit on disposal of assets	21	3,975	0	21,598
(Loss) on disposal of assets	21	(288,472)	(12,817)	(54,072)
Fair value adjustments to financial assets at				
(Loss) on revaluation of Infrastructure - Sewerage	8(b)	<u>(31,537)</u>	<u>0</u>	<u>0</u>
		<u>(31,537)</u>	<u>0</u>	<u>0</u>
Net result		<u>493,849</u>	<u>(912,774)</u>	<u>544,962</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	2,072,525	0	5,341,282
Total other comprehensive income		<u>2,072,525</u>	<u>0</u>	<u>5,341,282</u>
Total comprehensive income		<u><u>2,566,374</u></u>	<u><u>(912,774)</u></u>	<u><u>5,886,244</u></u>

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

SHIRE OF BROOKTON
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	6,015,126	5,129,231
Investments	4	0	0
Trade and other receivables	5	4,403,778	3,792,427
Inventories	6	27,394	15,421
TOTAL CURRENT ASSETS		10,446,298	8,937,079
NON-CURRENT ASSETS			
Other receivables	5	395,797	415,608
Investments	4	5,000	5,000
Inventories	6	212,550	212,550
Property, plant and equipment	7	25,763,678	25,115,645
Infrastructure	8	71,958,063	70,539,257
TOTAL NON-CURRENT ASSETS		98,335,088	96,288,060
TOTAL ASSETS		108,781,386	105,225,138
CURRENT LIABILITIES			
Trade and other payables	9	5,054,971	3,985,861
Current portion of long term borrowings	10	138,652	130,130
Provisions	11	173,825	147,128
TOTAL CURRENT LIABILITIES		5,367,448	4,263,119
NON-CURRENT LIABILITIES			
Long term borrowings	10	1,339,008	1,477,660
Provisions	11	83,052	58,854
TOTAL NON-CURRENT LIABILITIES		1,422,060	1,536,514
TOTAL LIABILITIES		6,789,508	5,799,633
NET ASSETS		101,991,879	99,425,505
EQUITY			
Retained surplus		22,051,450	22,327,432
Reserves - cash backed	12	4,274,596	3,504,765
Revaluation surplus	13	75,665,833	73,593,308
TOTAL EQUITY		101,991,879	99,425,505

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 2018

	NOTE	RETAINED SURPLUS \$	CASH/INVESTMENT BACKED \$	RESERVES REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2016		22065298.18	3221936.82	68252026	93539261
Comprehensive income					
Net result		544,962	0	0	544,962
Changes on revaluation of assets	13	0	0	5,341,282	5,341,282
Total comprehensive income		544,962	0	5,341,282	5,886,244
Transfers from/(to) reserves		(282,828)	282,828	0	0
Balance as at 30 June 2017		22,327,432	3,504,765	73,593,308	99,425,505
Comprehensive income					
Net result		493,848	0	0	493,848
Changes on revaluation of assets	13	0	0	2,072,525	2,072,525
Total comprehensive income		493,848	0	2,072,525	2,566,373
Transfers from/(to) reserves		(769,830)	769,830	0	0
Balance as at 30 June 2018		22,051,450	4,274,596	75,665,833	101,991,879

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 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,049,559	2,037,402	1,889,411
Operating grants, subsidies and contributions		2,898,445	3,571,354	2,338,126
Fees and charges		1,835,405	1,543,835	1,797,136
Interest earnings		197,489	195,746	176,018
Goods and services tax		544,658	0	487,184
Other revenue		1,304,715	117,169	159,769
		<u>8,830,271</u>	<u>7,465,506</u>	<u>6,847,644</u>
Payments				
Employee costs		(1,336,419)	(1,517,122)	(1,219,443)
Materials and contracts		(3,656,377)	(4,929,976)	(2,431,348)
Utility charges		(138,581)	(149,894)	(131,810)
Interest expenses		(113,798)	(113,800)	(122,549)
Insurance expenses		(160,603)	(180,181)	(198,062)
Goods and services tax		(528,000)	0	(533,546)
Other expenditure		(126,474)	(25,629)	(136,326)
		<u>(6,060,252)</u>	<u>(6,916,602)</u>	<u>(4,773,084)</u>
Net cash provided by (used in) operating activities	14(b)	<u>2,770,018</u>	<u>548,904</u>	<u>2,074,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,417,487)	(955,500)	(379,516)
Payments for construction of infrastructure		(1,032,973)	(1,043,414)	(1,629,113)
Non-operating grants, subsidies and contributions		622,578	487,432	941,683
Proceeds from sale of fixed assets		40,227	48,978	210,889
Net cash provided by (used in) investment activities		<u>(1,787,655)</u>	<u>(1,462,504)</u>	<u>(856,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(130,130)	(130,010)	(122,136)
Proceeds from self supporting loans		33,663	40,605	38,036
Net cash provided by (used in) financing activities		<u>(96,467)</u>	<u>(89,405)</u>	<u>(84,100)</u>
Net increase (decrease) in cash held		885,896	(1,003,005)	1,134,403
Cash at beginning of year		5,129,231	5,129,231	3,994,827
Cash and cash equivalents at the end of the year	14(a)	<u>6,015,127</u>	<u>4,126,226</u>	<u>5,129,231</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 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>1,258,719</u> 1,258,719	<u>1,242,807</u> 1,242,807	<u>572,848</u> 572,848
Revenue from operating activities (excluding rates)				
Governance		36,075	18,190	17,531
General purpose funding		597,850	615,274	1,600,167
Law, order, public safety		39,820	37,730	29,296
Health		995	2,200	1,074
Education and welfare		5,506,989	4,058,507	4,069,702
Housing		108,173	92,300	107,238
Community amenities		361,170	349,954	365,505
Recreation and culture		53,725	79,992	78,661
Transport		51,049	85,417	87,715
Economic services		51,889	54,440	68,218
Other property and services		<u>63,185</u>	<u>34,100</u>	<u>58,769</u>
		6,870,920	5,428,104	6,483,876
Expenditure from operating activities				
Governance		(657,955)	(771,620)	(645,350)
General purpose funding		(223,350)	(257,789)	(229,493)
Law, order, public safety		(122,145)	(117,754)	(161,571)
Health		(38,364)	(54,452)	(47,470)
Education and welfare		(3,946,909)	(3,731,832)	(4,010,192)
Housing		(134,551)	(175,784)	(130,387)
Community amenities		(353,645)	(438,066)	(375,585)
Recreation and culture		(971,065)	(886,708)	(790,960)
Transport		(2,164,098)	(2,119,467)	(2,205,250)
Economic services		(101,358)	(179,293)	(106,373)
Other property and services		<u>(315,200)</u>	<u>(132,947)</u>	<u>(74,805)</u>
		(9,028,640)	(8,865,712)	(8,777,436)
Operating activities excluded from budget				
(Profit) on disposal of assets	21	(3,975)	0	(21,598)
Loss on disposal of assets	21	288,472	12,817	54,072
Movement in deferred pensioner rates (non-current)		(2,001)	0	297
Movement in employee benefit provisions (non-current)		24,197	0	12,273
Depreciation and amortisation on assets	2(a)	<u>2,099,883</u>	<u>1,936,295</u>	<u>2,260,533</u>
Amount attributable to operating activities		<u>1,507,574</u>	<u>(245,689)</u>	<u>584,865</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		622,578	487,432	941,683
Proceeds from disposal of assets	21	40,227	48,978	210,889
Purchase of property, plant and equipment	7(b)	(1,417,487)	(955,500)	(379,516)
Purchase and construction of infrastructure	8(b)	<u>(1,032,973)</u>	<u>(1,043,414)</u>	<u>(1,629,113)</u>
Amount attributable to investing activities		<u>(1,787,655)</u>	<u>(1,462,504)</u>	<u>(856,057)</u>
FINANCING ACTIVITIES				
Repayment of debentures	22(a)	(130,130)	(130,130)	(122,136)
Proceeds from self supporting loans		33,663	0	38,036
Transfers to reserves (restricted assets)	12	(1,056,422)	(849,079)	(512,853)
Transfers from reserves (restricted assets)	12	<u>286,592</u>	<u>650,000</u>	<u>230,025</u>
Amount attributable to financing activities		<u>(866,298)</u>	<u>(329,209)</u>	<u>(366,928)</u>
Surplus(deficiency) before general rates		<u>(1,146,379)</u>	<u>(2,037,402)</u>	<u>(638,120)</u>
Total amount raised from general rates	23	<u>2,060,529</u>	<u>2,037,402</u>	<u>1,896,839</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>914,152</u></u>	<u><u>0</u></u>	<u><u>1,258,719</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 2018

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.

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 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 2018

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 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.

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

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 May 2016, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or-

(II) Infrastructure;

(c) for a financial year ending on or after 30 May 2016, the fair value of all of the assets of the local government.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

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

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 May 2016.

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

(f) Fixed Assets (Continued)

Land under roads

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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:

Asset Class

Buildings	5 to 138 years
Furniture and equipment	4 to 10 years
Plant and equipment	2 to 60 years
Infrastructure Parks & Garden	30 to 50 years

Sealed roads and streets

Formation & Subgrade	not depreciated
Pavement	15 to 100 years
Surface	4 to 125 years
Surface Water Channel	5 to 100 years

Gravel roads

Formation & Subgrade	not depreciated
Pavement	15 to 100 years

Formed roads (unsealed)

Formation & Subgrade	not depreciated
Pavement	15 to 100 years

(f) Fixed Assets (Continued)

Other Infrastructure

Footpaths - slab	40. to 100 years
Sewerage piping	1 to 100 years
Water supply piping and drainage systems	30 to 100 years
Storm Water Drainage	50 to 100 years
Bridges	10 to 160 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.

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

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 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Income approach

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost approach

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

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

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

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Held-to-maturity investments

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

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

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

(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.

Impairment

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

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

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

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

Derecognition

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

(l) Borrowing Costs

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

(n) Leases

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

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

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

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

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

(o) Investment in Associates

An associate is an entity over which the Council 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 Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council 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 Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. The Shire has entered into a joint venture arrangement with the State Housing Commission for the provision of low cost housing. This arrangement has been classified as a joint operation. Information about this joint venture is set out in Note 17.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 2019	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. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	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. 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.

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

2. REVENUE AND EXPENSES	2018 \$	2017 \$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Significant expense and revenue		
Education & Welfare (<i>Refer Note 36</i>)*	<u>(3,894,107)</u>	<u>(3,832,381)</u>
Auditors remuneration		
- Audit of the Annual Financial Report**	13,296	21,625
- Other Services	1,450	1,500
Depreciation		
Buildings - non-specialised	23,492	26,452
Buildings - specialised	234,167	410,228
Furniture and equipment	8,106	8,925
Plant and equipment	178,963	158,016
Infrastructure - roads	1,578,304	1,579,442
Infrastructure - footpaths	13,377	12,453
Infrastructure - Sewerage	54,019	54,247
Infrastructure - parks and ovals	9,455	10,770
	<u>2,099,883</u>	<u>2,260,533</u>
Interest expenses (finance costs)		
Debentures (refer Note 22 (a))	111,956	120,798
	<u>111,956</u>	<u>120,798</u>
(ii) Crediting as revenue:		
Significant revenue		
Education & Welfare (<i>Refer Note 36</i>)*	<u>3,965,094</u>	<u>3,789,759</u>
Education & Welfare		
Donation of Independent Living Units assets	<u>1,080,000</u>	<u>0</u>
Other revenue		
Reimbursements and recoveries	208,646	146,191
Other	16,069	13,875
	<u>224,715</u>	<u>160,066</u>

* These revenues and expenses are associated with the Kalkarni Aged Care facility. They are included in the Statement of Comprehensive Income balance to which they related to. A breakdown of these balances is included in Note 36.

**The fee for auditing the 2017/18 financial report is \$42,000.

	2018 Actual \$	2018 Budget \$	2017 Actual \$
Interest earnings			
- Loans receivable - clubs/institutions	24,515	31,000	30,823
- Reserve funds	90,232	80,000	86,059
- Other funds	69,536	67,000	46,500
Other interest revenue (refer note 28)	13,206	17,746	12,636
	<u>197,489</u>	<u>195,746</u>	<u>176,018</u>

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

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 2018

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 2018

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾ 1/07/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance ⁽¹⁾ 30/06/17 \$	Received ⁽²⁾ 2017/18 \$	Expended ⁽³⁾ 2017/18 \$	Closing Balance 30/06/18 \$
Grant/Contribution	Function/ Activity							
Roads to Recovery	Transport Law, Order and Public Safety	30,386	481,617	(522,973)	(10,970)	310,165	(299,195)	0
DFES - Operational Funding	Community Amenities - Protection of Environment	8,467	25,403	(19,621)	14,249	33,580	(33,580)	14,249
Department of Water (WA)	Childcare							
Lotteries West		135,000	0	(135,000)	0	0	0	0
Total		173,853	602,020	(772,594)	3,279	348,745	(337,775)	14,249

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.

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

	Note	2018 \$	2017 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,726,281	1,621,187
Restricted		4,288,845	3,508,044
		<u>6,015,126</u>	<u>5,129,231</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Plant and Vehicle Reserve	12	664,198	540,015
Housing Reserve	12	1,024,906	764,765
Furniture & Equipment Reserve	12	78,538	64,855
Municipal Building & Facility Reserve	12	236,374	201,166
Townscape & Footpath Reserve	12	51,708	49,063
Land Redevelopment Reserve	12	136,389	129,369
Sewerage Scheme Reserve	12	259,113	194,032
Road and Bridges Infrastructure Reserve	12	432,174	292,547
Health & Aged Care Reserve	12	691,646	777,173
Community Bus Reserve	12	72,166	63,696
Sport & Recreation Reserve	12	15,663	10,392
Rehabilitation & Refuse Reserve	12	53,610	46,448
Saddleback Building Reserve	12	52,782	50,113
Caravan Park Reserve	12	128,429	122,382
Brookton Museum/Heritage Reserve	12	41,889	37,773
Kweda Hall Reserve	12	29,497	25,657
Aldersyde Hall Reserve	12	25,806	25,657
Railway Station Reserve	12	29,497	25,657
Madison Square Units Reserve	12	18,703	17,689
Cemetery Reserve	12	22,622	21,471
Water Harvesting Reserve	12	42,239	40,303
Developer Contribution Reserve	12	2,635	4,542
Brookton Aquatic Reserve	12	66,841	0
Cash Contingency Reserve	12	97,171	0
Unspent grants	2(c)	14,249	3,279
		<u>4,288,845</u>	<u>3,508,044</u>
4. INVESTMENTS			
Held for trading			
Bendigo Bank Shares		5,000	5,000
		<u>5,000</u>	<u>5,000</u>

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

	2018 \$	2017 \$
5. TRADE AND OTHER RECEIVABLES		
Current		
Rates outstanding	52,516	43,547
Sundry debtors	41,581	59,399
GST receivable	29,704	46,362
Loans receivable - clubs/institutions	28,754	40,605
Aged Care Facility Bonds	4,036,010	3,272,119
Prepayment & Accrued Income	215,214	330,395
	<u>4,403,779</u>	<u>3,792,427</u>
Non-current		
Rates outstanding - pensioners	33,431	31,430
Loans receivable - clubs/institutions	362,366	384,178
	<u>395,797</u>	<u>415,608</u>
6. INVENTORIES		
Current		
Fuel and materials	27,394	15,421
	<u>27,394</u>	<u>15,421</u>
Non-current		
Land held for resale - cost		
Cost of acquisition	72,267	72,267
Development costs	140,283	140,283
	<u>212,550</u>	<u>212,550</u>

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

	2018 \$	2017 \$
7 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2017 - level 2	538,000	538,000
- Additions after valuation - cost	<u>144,800</u>	<u>0</u>
	682,800	538,000
Land - vested in and under the control of Council at:		
- Independent valuation 2017 - level 3	<u>355,000</u>	<u>355,000</u>
	355,000	355,000
	<u>1,037,800</u>	<u>893,000</u>
Buildings - non-specialised at:		
- Independent valuation 2017 - level 3	1,679,885	1,679,886
Less: accumulated depreciation	<u>(23,492)</u>	<u>0</u>
	1,656,393	1,679,886
Buildings - specialised at:		
- Independent valuation 2017 - level 3	19,981,978	19,981,978
- Additions after valuation - cost	1,150,389	0
- Disposals	(257,587)	0
Less: accumulated depreciation	<u>(233,286)</u>	<u>0</u>
	20,641,494	19,981,978
	<u>22,297,887</u>	<u>21,661,864</u>
Total land and buildings	<u>23,335,687</u>	<u>22,554,864</u>
Furniture and equipment at:		
- Management valuation 2016 - level 3	88,139	88,139
- Additions after valuation - cost	74,892	13,575
- Disposals	(30,952)	0
Less accumulated depreciation	<u>(13,410)</u>	<u>(8,925)</u>
	118,669	92,789
Plant and equipment at:		
- Management valuation 2016 - level 3	2,203,676	2,203,676
- Additions after valuation - cost	473,800	412,820
- Disposals	(54,900)	0
Less accumulated depreciation	<u>(313,254)</u>	<u>(148,504)</u>
	2,309,322	2,467,992
	<u>25,763,678</u>	<u>25,115,645</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 2018

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	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	538,000	144,800	0	0	0	0	0	0	682,800
Land - vested in and under the control of Council	355,000	0	0	0	0	0	0	0	355,000
Total land	893,000	144,800	0	0	0	0	0	0	1,037,800
Buildings - non-specialised	1,679,886	0	0	0	0	0	(23,492)	0	1,656,394
Buildings - specialised	19,981,978	1,150,389	(256,707)	0	0	0	(234,167)	0	20,641,493
Total buildings	21,661,864	1,150,389	(256,707)	0	0	0	(257,659)	0	22,297,887
Total land and buildings	22,554,864	1,295,189	(256,707)	0	0	0	(257,659)	0	23,335,687
Furniture and equipment	92,789	61,318	(27,332)	0	0	0	(8,106)	0	118,669
Plant and equipment	2,467,992	60,980	(40,687)	0	0	0	(178,963)	0	2,309,322
Total property, plant and equipment	25,115,645	1,417,487	(324,726)	0	0	0	(444,728)	0	25,763,678

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
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	3	Cost approach using depreciated replacement cost	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	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 2018

	2018 \$	2017 \$
8 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Management valuation 2015 - level 3	0	103,437,769
- Independent valuation 2018 - level 3	69,627,199	0
- Additions after valuation - cost	0	2,194,723
Less accumulated depreciation	0	(37,516,421)
	<u>69,627,199</u>	<u>68,116,071</u>
Infrastructure - footpaths		
- Management valuation 2015 - level 3	0	715,715
- Independent valuation 2018 - level 3	398,640	0
- Additions after valuation - cost	0	127,611
Less accumulated depreciation	0	(372,936)
	<u>398,640</u>	<u>470,390</u>
Infrastructure - Sewerage		
- Management valuation 2015 - level 3	0	2,716,855
- Independent valuation 2018 - level 3	1,181,200	0
- Additions after valuation - cost	0	248,201
Less accumulated depreciation	0	(1,433,112)
	<u>1,181,200</u>	<u>1,531,944</u>
Infrastructure - parks and ovals		
- Management valuation 2015 - level 3	0	366,564
- Independent valuation 2018 - level 3	751,024	0
- Additions after valuation - cost	0	82,528
Less accumulated depreciation	0	(28,240)
	<u>751,024</u>	<u>420,852</u>
	<u>71,958,063</u>	<u>70,539,257</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 2018

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	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	68,116,071	994,772	0	2,023,850	0	0	(1,578,304)	70,810	69,627,198
Infrastructure - footpaths	470,390	0	0	(58,373)	0	0	(13,377)	0	398,640
Infrastructure - Sewerage	1,531,944	38,202	0	(303,389)	(31,537)	0	(54,019)	0	1,181,200
Infrastructure - parks and ovals	420,852	0	0	410,437	0	0	(9,455)	(70,810)	751,024
Total infrastructure	70,539,257	1,032,973	0	2,072,525	(31,537)	0	(1,655,155)	0	71,958,064

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management Valuation	June 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

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 2018

	2018	2017
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	98,771	440,673
Accrued interest on debentures	19,596	21,440
Accrued salaries and wages	39,173	43,712
Aged Care Accommodation Bonds	4,036,010	3,272,119
Accrued Expenses	341,665	187,318
Income In Advance	519,756	20,599
	<u>5,054,971</u>	<u>3,985,861</u>

10. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	<u>138,652</u>	<u>130,130</u>
	<u>138,652</u>	<u>130,130</u>
Non-current		
Secured by floating charge		
Debentures	<u>1,339,008</u>	<u>1,477,660</u>
	<u>1,339,008</u>	<u>1,477,660</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 2017			
Current provisions	103,653	43,475	147,128
Non-current provisions	0	58,854	58,854
	<u>103,653</u>	<u>102,329</u>	<u>205,982</u>
 Additional provision	 1,706	 49,189	 50,895
Balance at 30 June 2018	<u>105,359</u>	<u>151,518</u>	<u>256,877</u>
 Comprises			
Current	105,359	68,466	173,825
Non-current	0	83,052	83,052
	<u>105,359</u>	<u>151,518</u>	<u>256,877</u>

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

12. RESERVES - CASH BACKED

	Actual 2018 Opening Balance \$	Actual 2018 Transfer to \$	Actual 2018 Transfer (from) \$	Actual 2018 Closing Balance \$	Budget 2018 Opening Balance \$	Budget 2018 Transfer to \$	Budget 2018 Transfer (from) \$	Budget 2018 Closing Balance \$	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$
Plant and Vehicle Reserve	540,015	124,183		664,198	540,015	110,000		650,015	494,514	45,501	0	540,015
Housing Reserve	764,765	260,141		1,024,906	764,765	240,000	(450,000)	554,765	754,115	34,810	(24,160)	764,765
Furniture & Equipment Reserve	64,855	13,683		78,538	64,855	12,000		76,855	23,983	40,872	0	64,855
Municipal Building & Facility Reserve	201,167	41,636	(6,428)	236,375	201,167	36,500		237,667	115,628	103,539	(18,000)	201,167
Townscape & Footpath Reserve	49,063	2,645		51,708	49,063	1,500		50,563	142,081	3,164	(96,182)	49,063
Land Redevelopment Reserve	129,370	7,019		136,389	129,370	4,000		133,370	126,050	3,320	0	129,370
Sewerage Scheme Reserve	194,032	69,427	(4,346)	259,113	194,032	65,000	(15,000)	244,032	125,339	68,693	0	194,032
Road and Bridges Infrastructure Reserve	292,547	139,627		432,174	292,547	18,900		311,447	187,018	105,529	0	292,547
Health & Aged Care Reserve	777,172	82,621	(168,146)	691,647	777,172	65,000	(180,000)	662,172	777,990	70,367	(71,185)	777,172
Community Bus Reserve	63,696	8,470		72,166	63,696	6,900		70,596	57,160	6,536	0	63,696
Sport & Recreation Reserve	10,391	5,272		15,663	10,391	1,000		11,391	10,124	267	0	10,391
Rehabilitation & Refuse Reserve	46,448	7,162		53,610	46,448	6,000		52,448	40,355	6,093	0	46,448
Saddleback Building Reserve	50,114	2,668		52,782	50,114	1,500		51,614	48,828	1,286	0	50,114
Caravan Park Reserve	122,382	6,047		128,429	122,382	3,200		125,582	127,936	3,317	(8,871)	122,382
Brookton Museum/Heritage Reserve	37,773	4,116		41,889	37,773	3,200		40,973	34,353	3,420	0	37,773
Kweda Hall Reserve	25,657	3,840		29,497	25,657	3,200		28,857	22,548	3,109	0	25,657
Aldersyde Hall Reserve	25,657	149		25,806	25,657	0		25,657	22,548	3,109	0	25,657
Railway Station Reserve	25,657	3,840		29,497	25,657	3,200		28,857	22,548	3,109	0	25,657
Madison Square Units Reserve	17,689	1,014		18,703	17,689	600		18,289	17,235	454	0	17,689
Cemetery Reserve	21,471	1,151		22,622	21,471	650		22,121	20,920	551	0	21,471
Water Harvesting Reserve	40,302	1,937		42,239	40,302	1,000	(5,000)	36,302	50,664	1,265	(11,627)	40,302
Developer Contribution Reserve	4,542	92	(2,000)	2,635	4,542	0		4,542	0	4,542	0	4,542
Brookton Aquatic Reserve	0	66,841		66,841	65,729			65,729				0
Cash Contingency Reserve	0	202,843	(105,672)	97,171	200,000	200,000		200,000				0
	3,504,765	1,056,422	(286,592)	4,274,596	3,504,765	849,079	(650,000)	3,703,844	3,221,937	512,853	(230,025)	3,504,765

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 2018

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
Leave reserve		This reserve is for the funding of gratuity, annual and long service leave requirements
Plant and Vehicle Reserve		This reserve is for the purchase of major items in the Shire's plant and vehicle replacement program.
Housing Reserve		This reserve is for the construction of housing to meet future housing requirements.
Furniture & Equipment Reserve		This reserve is for the replacement of major items of furniture and equipment.
Municipal Building & Facility Reserve		This reserve is for the upgrading of Shire owned buildings and facilities.
Townscape & Footpath Reserve		This reserve is for the cost of major works to construct and upgrade footpaths and general townscape works
Land Redevelopment Reserve		This reserve is to be used for the costs of land development
Sewerage Scheme Reserve		This reserve is to fund the expansion, ongoing renewal, maintenance and asset management needs of the Brookton Sewerage Scheme.
Road and Bridges Infrastructure Reserve		This reserve is for the construction and upgrade of roads and bridges within the Shire.
Health & Aged Care Reserve		This reserve is for the development and/or refurbishment of the Kalkarni Residency building.
Community Bus Reserve		This reserve is for the ongoing replacement and renewal of the Brookton Community Buses.
Sport & Recreation Reserve		This reserve is to fund new, renewal, upgrades, or major maintenance of sporting and recreation infrastructure.
Rehabilitation & Refuse Reserve		This reserve is to fund the rehabilitation or major upgrades of the Brookton Refuse Site and or to rehabilitate former Gravel Pits.
Saddleback Building Reserve		This reserve is to be used for the Saddleback building to fund future upgrades and major maintenance of the building.
Caravan Park Reserve		This reserve is to be used to fund any upgrades or major maintenance on the Brookton Caravan Park.
Brookton Museum/Heritage Reserve		This reserve is to be used to fund any upgrades or major maintenance of the Brookton Historical Museum.
Kweda Hall Reserve		This reserve is to be used to fund any upgrades or major maintenance on the Kweda Hall.
Aldersyde Hall Reserve		This Reserve will be transferred to the Aldersyde Committee upon incorporation and the Committee sourcing other funding opportunities through grants.
Railway Station Reserve		This reserve is to be used to fund any upgrades or major maintenance on the Brookton Railway Station and/or Platform.
Madison Square Units Reserve		This reserve is to be used to fund any upgrades or major maintenance on the Madison Square Units.
Cemetery Reserve		This reserve is to be used to fund any upgrades or major maintenance on the Brookton Cemetery.
Water Harvesting Reserve		This reserve is to fund renewal, upgrades or major maintenance of the water harvesting scheme infrastructure.
Developer Contribution Reserve		This reserve is to hold contributions applied to a development via a Development Application or Subdivision Approval pending determination
Cash Contingency Reserve		This reserve is to cover unexpected shortfalls in operational funding should the need arise.
Brookton Aquatic Reserve		This reserve is to fund the renewal, replacement, upgrades or major maintenance of the Brookton Aquatic Centre.

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

13. REVALUATION SURPLUS

	2018			2018			2018			2017		
	Opening	Revaluation	2018	Revaluation	Movement on	2018	Opening	Revaluation	2017	Revaluation	Movement on	2017
	Balance	Increment	\$	Decrement	Revaluation	Closing	Balance	Decrement	Increment	Decrement	Revaluation	Closing
	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	11,827,211	0	0	0	0	11,827,211	6,485,929	0	5,341,282	0	5,341,282	11,827,211
Furniture and equipment	1,527	0	0	0	0	1,527	1,527	0	0	0	0	1,527
Plant and equipment	1,321,668	0	0	0	0	1,321,668	1,321,668	0	0	0	0	1,321,668
Infrastructure - roads	59,836,350	2,023,850	0	0	2,023,850	61,860,200	59,836,350	0	0	0	0	59,836,350
Infrastructure - footpaths	247,229	0	0	(58,373)	(58,373)	188,856	247,229	0	0	0	0	247,229
Infrastructure - Sewerage	303,389	0	0	(303,389)	(303,389)	0	303,389	0	0	0	0	303,389
Infrastructure - parks and ovals	55,934	410,437	0	0	410,437	466,371	55,934	0	0	0	0	55,934
	73,593,308	2,434,287		(361,762)	2,072,525	75,665,833	68,252,026		5,341,282	0	5,341,282	73,593,308

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 2018

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:

	2018	2018	2017
	\$	Budget	\$
Cash and cash equivalents	<u>6,015,126</u>	<u>4,126,226</u>	<u>5,129,231</u>

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

Net result	493,848	(912,774)	544,962
Non-cash flows in Net result:			
Depreciation	2,099,883	1,936,295	2,260,533
(Profit)/Loss on sale of asset	284,497	12,817	32,474
Loss on revaluation of fixed assets	31,537	0	
Reversal of loss on revaluation of fixed assets	0	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(625,203)	0	(2,044,722)
(Increase)/Decrease in inventories	(11,972)	0	952
Increase/(Decrease) in payables	1,069,110	0	2,244,456
Increase/(Decrease) in provisions	50,895	0	(22,412)
Grants contributions for the development of assets	<u>(622,578)</u>	<u>(487,432)</u>	<u>(941,683)</u>
Net cash from operating activities	<u>2,770,017</u>	<u>548,906</u>	<u>2,074,560</u>

	2018	2017
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	10,000	10,000
Credit card balance at balance date	<u>(3,894)</u>	<u>(1,880)</u>
Total amount of credit unused	<u>6,106</u>	<u>8,120</u>
 Loan facilities		
Loan facilities - current	138,652	130,130
Loan facilities - non-current	<u>1,339,008</u>	<u>1,477,660</u>
Total facilities in use at balance date	<u>1,477,660</u>	<u>1,607,790</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 2018

15. CONTINGENT LIABILITIES

In addition to the liabilities included in the financial statements, the Shire is aware of a potential contaminated site relating to the sewerage treatment plant.

	2018	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%.

	2018	2017
	\$	\$
Non-current assets		
Land and buildings	112,566	112,566
Less: accumulated depreciation	(1,452)	
	<u>111,114</u>	<u>112,566</u>

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	1,838,191	1,780,630
General purpose funding	717,366	384,178
Law, order, public safety	750,590	776,083
Education and welfare	14,008,043	12,225,338
Housing	2,503,996	2,266,309
Community amenities	1,766,627	2,079,681
Recreation and culture	10,421,903	10,273,885
Transport	70,563,330	69,045,329
Economic services	811,906	951,569
Other property and services	2,758,553	2,707,120
Unallocated	2,640,881	2,735,016
	<u>108,781,386</u>	<u>105,225,138</u>

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

	2018	2017	2016
19. FINANCIAL RATIOS			
Current ratio	1.15	1.27	1.15
Asset sustainability ratio	1.15	0.78	0.64
Debt service cover ratio	8.60	8.17	3.41
Operating surplus ratio	0.03	(0.10)	(0.46)
Own source revenue coverage ratio	0.60	0.46	0.43

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:

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 2018 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.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current Ratio	No Adjustment	1.16	No Adjustment
Debt service cover ratio	8.91	9.94	9.94
Operating surplus ratio	0.15	0.03	0.03

Supplementary Ratio

	2018	2017	2016
Asset consumption ratio	0.994	0.708	0.700
Asset renewal funding ratio	0.791	0.800	0.810

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
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Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
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SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

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 2017 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2018 \$
Housing Bonds	0	1,200		1,200
Other Bonds	13,059	211		13,270
Rates Incentive Prize	200			200
Les McMullen Sporting Grants	7,223	294	(7,517)	(0)
Gnulla Child Care Facility	3,073			3,073
Wildflower Show Funds	1,240			1,240
Public Open Space Contributions	13,820			13,820
Developer Road Contributions	0	0	0	0
Unclaimed Monies	0	30		30
	<u>38,615</u>			<u>32,833</u>

21. DISPOSALS OF ASSETS - 2017/18 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								
DCEO Vehicle	23,253	18,818	0	(4,435)	23,317	22,000	0	(1,317)
Magiq Records	27,331	0	0	(27,331)	0	0		
Aldersyde Toilet Block (not Shires)	23,846	0	0	(23,846)	0	0		
Avon Bank (not constructed)	3,057		0	(3,057)				
Recreation and culture								
Aldersyde Hall (not Shires asset)	227,225	0	0	(227,225)	0	0		
Water Tank (not shires asset)	2,578	0	0	(2,578)	0	0		
Transport								
Sales of Surplus Equipment		500	500	0		0		
Other property and services								
Works Supervisor Ute	17,434	20,909	3,475	0	23,465	16,978	0	(6,487)
Parks & Garden Uter					15,013	10,000	0	(5,013)
	<u>324,724</u>	<u>40,227</u>	<u>3,975</u>	<u>(288,472)</u>	<u>61,795</u>	<u>48,978</u>	<u>0</u>	<u>(12,817)</u>

SHIRE OF BROOKTON
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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2017 \$	New Loans \$	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance								
75 Office Renovations	56,258		4,453	4,453	51,805	51,805	3,819	3,938
Education and welfare								
80 Kalkarni Residence	88,287		7,776	7,776	80,511	80,511	5,271	5,452
Housing								
80 Staff Housing	147,925		12,830	12,830	135,095	135,095	8,697	8,996
Community amenities								
80 Sewerage	57,298		5,443	5,443	51,855	51,855	3,690	3,817
Recreation and culture								
81 Sport and Recreation	685,315		46,193	46,193	639,122	639,122	51,058	51,468
Transport								
80 Grader	147,924		12,830	12,830	135,094	135,094	8,697	8,996
Other property and services								
	1,183,007	0	89,525	89,525	1,093,482	1,093,482	81,231	82,668
Self Supporting Loans								
General purpose funding								
78 Senior Citizens Homes	117,669		13,659	13,659	104,010	104,010	8,393	8,504
79 Multifunctional Family Centre	31,525		8,371	8,251	23,154	23,274	1,904	1,929
82 Country Club	275,589		18,576	18,576	257,013	257,013	20,428	20,699
Housing								
	424,783	0	40,605	40,485	384,178	384,298	30,725	31,132
	1,607,790	0	130,130	130,010	1,477,660	1,477,780	111,956	113,800

Self supporting loan 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
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22. INFORMATION ON BORROWINGS (Continued)

(b) New Debentures - 2017/18

The Shire did not take up any new debentures during the year ended 30 June 2018.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2018.

(d) Overdraft

The Shire did not utilise the overdraft in the 2017/18 financial year.

SHIRE OF BROOKTON
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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23. RATING INFORMATION - 2017/18 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Actual Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
02 GRV - Commercial	0.109977	22	521,913	53,431			53,431	53,431			53,431
03 GRV - Residential	0.109977	241	2,588,981	260,626	116		260,743	260,626			260,626
04 GRV - Industrial	0.109977	5	71,916	7,251			7,251	7,251			7,251
07 GRV - Rural	0.109977	3	402,440	44,259			44,259	44,259			44,259
Non Rateable/Exempt Properties		276		0			0				0
Unimproved value valuations											
01 Unimproved Value (UV)	0.010495	247	148,677,497	1,455,647	582		1,456,229	1,455,647			1,455,647
Sub-Total		794	152,262,747	1,821,214	698	0	1,821,912	1,821,214	0	0	1,821,214
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Commercial	789	9		7,101			7,101	7,101			7,101
GRV - Residential	789	72		56,808			56,808	56,808			56,808
GRV - Industrial	789	1		789			789	789			789
GRV - Rural	789	0		0			0				0
Unimproved value valuations											
Unimproved Value (UV)	1,351	113		152,663			152,663	152,663			152,663
Sub-Total		195	0	217,361	0	0	217,361	217,361	0	0	217,361
Discounts/concessions (refer note 27)		989	152,262,747	2,038,575	698	0	2,039,273	2,038,575	0	0	2,038,575
Total amount raised from general rate							<u>2,037,110</u>				<u>2,037,402</u>
Ex-gratia rates							<u>23,419</u>				<u>25,000</u>
Totals							<u><u>2,060,529</u></u>				<u><u>2,062,402</u></u>

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

23. RATING INFORMATION - 2016/17 FINANCIAL YEAR (Comparative)

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

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

24. NET CURRENT ASSETS

Composition of net current assets for the purposes of the rate setting statement

	2018 (30 June 2018 Carried Forward) \$	2018 (1 July 2017 Brought Forward) \$	2017 (30 June 2017 Carried Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	<u>914,152</u>	<u>1,258,719</u>	<u>1,258,719</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,726,281	1,621,187	1,621,187
Restricted	4,288,845	3,508,044	3,508,044
Receivables			
Rates outstanding	52,516	43,547	43,547
Sundry debtors	41,581	59,399	59,399
GST receivable	29,704	46,362	46,362
Loans receivable - clubs/institutions	28,754	40,605	40,605
Aged Care Facility Bonds	4,036,010	3,272,119	3,272,119
Prepayment & Accrued Income	215,214	330,395	330,395
Inventories			
Fuel and materials	27,394	15,421	15,421
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(98,771)	(440,673)	(440,673)
Accrued interest on debentures	(19,596)	(21,440)	(21,440)
Accrued salaries and wages	(39,173)	(43,712)	(43,712)
Aged Care Accommodation Bonds	(4,036,010)	(3,272,119)	(3,272,119)
Accrued Expenses	(341,665)	(187,318)	(187,318)
Income In Advance	(519,757)	(20,599)	(20,599)
Current portion of long term borrowings			
Secured by floating charge	(138,652)	(130,130)	(130,130)
Provisions			
Provision for annual leave	(105,359)	(103,653)	(103,653)
Provision for long service leave	(68,466)	(43,475)	(43,475)
Unadjusted net current assets	<u>5,078,850</u>	<u>4,673,960</u>	<u>4,673,960</u>
Adjustments			
Less: Reserves - restricted cash	(4,274,596)	(3,504,765)	(3,504,765)
Less: Loans receivable - clubs/institutions	(28,754)	(40,605)	(40,605)
Add: Secured by floating charge	138,652	130,130	130,130
Adjusted net current assets - surplus/(deficit)	<u>914,152</u>	<u>1,258,719</u>	<u>1,258,719</u>

Difference

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

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

25. SPECIFIED AREA RATE - 2017/18 FINANCIAL YEAR

The Shire did not levy any specified area rates

26. SERVICE CHARGES - 2017/18 FINANCIAL YEAR

The Shire did not impose any service charges.

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

27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2017/18 FINANCIAL YEAR

Rates Discounts					
Rate or Fee	Discount	Rate or Fee	Discount		
Discount Granted	% or \$	Actual	Budget	Circumstances in which Discount is Granted	
Contiguous Rating discount	\$ 2,300	\$ 2,163	\$ 1,070	Properties crossing over Shire boundaries and being Contiguously Rated	
		2,163	1,070		
Waivers or Concessions					
Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Actual	Budget		
Write off	Waiver				
Facility Hire Fee	Waiver	58	0		
Facility Hire Fee	Discount	912	0		
Facility Hire Fee	Discount	77	0		
		1,047	103		
Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Actual	Budget	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Write Off	Small Outstanding Balance			Shire 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.	Shire of Brookton Policy
Facility Hire Fee	Brookton Bandicoot Girl Guides Scripture Union Brookton Family Festival			Waiver of facility hire fee for the WB Eva Pavilion to Promote community and cultural events	Boomerang Bag Sewing Bee - Minute Ref OCM12.17-10 to assist the voluntary committee to host the event which is offered free to the local youth - Minute Ref OCM09.17-5
Facility Hire Fee	Brookton CRC			Waiver of facility hire fee for the WB Eva Pavilion	to facilitate function for Volunteers week, to thank volunteers for the many hours of service to the community - Minute Ref OMC05.18-05

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

28. INTEREST CHARGES AND INSTALMENTS - 2017/18 FINANCIAL YEAR

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	22-Sep-17	0		11.00%
Option Two				
First Instalment	22-Sep-17	0		0.00%
Second Instalment	12-Jan-18	10		5.50%
Option Three				
First Instalment	22-Sep-17	0		0.00%
Second Instalment	17-Nov-17	10		5.50%
Third Instalment	12-Jan-18	10		5.50%
Fourth Instalment	09-Mar-18	10		5.50%

Option One

Full amount of rates and charges including arrears to be paid on or before 19 September 2017 or 35 days after the date of service appearing on the rate notice, whichever is the later.

Option Two

First Instalment is to be received on or before 19 September 2017 or 35 days after the date of the service appearing on the rate notice, whichever is later and including all arrears and half of the current rates and service charges.

The second instalment will be due 30 January 2018.

Option Three

First Instalment is to be received on or before 19 September 2017 or 35 days after the date of the service appearing on the rate notice, whichever is later and including all arrears and quarter of the current rates and service charges.

Second, third and fourth Instalments to be made at two monthly intervals thereafter.

	Revenue \$	Budgeted Revenue \$
Interest on unpaid rates	6,925	6,297
Interest on instalment plan	6,280	11,449
Charges on instalment plan	4,080	4,500
	<u>17,286</u>	<u>22,246</u>

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

	2018	2017
	\$	\$
29. FEES & CHARGES		
Governance	48	127
General purpose funding	5,571	6,454
Law, order, public safety	6,111	3,893
Health	361	464
Education and welfare	1,236,628	1,234,034
Housing	105,930	104,294
Community amenities	361,010	340,325
Recreation and culture	39,405	43,742
Economic services	45,888	42,903
Other property and services	34,452	20,900
	<u>1,835,405</u>	<u>1,797,136</u>

There were no changes during the year to 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:

	2018	2017
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
General purpose funding	445,274	1,425,928
Law, order, public safety	33,709	25,403
Education and welfare	3,004,824	2,777,809
Transport	45,530	77,614
	<u>3,529,337</u>	<u>4,306,754</u>
Non-operating grants, subsidies and contributions		
Community amenities	5,000	95,000
Recreation and culture	0	5,000
Transport	617,578	841,683
Economic services	0	0
Other property and services	0	0
	<u>622,578</u>	<u>941,683</u>
	<u>4,151,915</u>	<u>5,248,437</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>20</u>	<u>23</u>
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32. ELECTED MEMBERS REMUNERATION

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

	2018	2018 Budget	2017
	\$	\$	\$
Meeting Fees	35,788	34,400	20,314
President's allowance	1,125	1,500	1,151
Deputy President's allowance	281	375	255
Travelling expenses	4,682	4,120	770
	<u>41,876</u>	<u>40,395</u>	<u>22,490</u>

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

33. MAJOR LAND TRANSACTIONS

Kurrnong Residential Subdivision

(a) Details

Council currently holds 7 lots of land that are available for sale. In the 2017/18 year no Lots were sold.

	2018	2018	2017
	\$	Budget	\$
(b) Current year transactions			
Operating income			
- Profit on sale	0	0	19,925
Capital income			
- Sale proceeds	0	0	50,000
Capital expenditure			
- Purchase of land		0	30,075
- Development costs			
	0	0	30,075

The above capital expenditure is included in land held for resale.

(c) Expected Future Cash Flows

	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$
Cash outflows					
- Development costs					0
- Loan repayments					0
	0	0	0	0	0
Cash inflows					
- Loan proceeds					0
- Sale proceeds	0				0
	0	0	0	0	0
Net cash flows	0	0	0	0	0

The Shire did not participate in any major land transactions during the 2017/18 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2017/18 financial year.

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

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,015,126	5,129,231	6,015,126	5,129,231
Investments	5,000	5,000	5,000	5,000
Receivables	4,799,575	4,208,035	4,799,575	4,208,035
	<u>10,819,701</u>	<u>9,342,266</u>	<u>10,819,701</u>	<u>9,342,266</u>
Financial liabilities				
Payables	5,054,971	3,985,861	5,054,971	3,985,861
Borrowings	1,477,660	1,607,790	1,733,487	1,905,555
	<u>6,532,631</u>	<u>5,593,651</u>	<u>6,788,458</u>	<u>5,891,416</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 2018

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.

	2018	2017
	\$	\$
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	60,151	51,292
- Statement of Comprehensive Income	60,151	51,292

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 2018

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:

	2018	2017
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	53%	74%
- Overdue	47%	26%

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

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:

	<u>2018</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	5,054,971	0	0	5,054,971	5,054,971
Borrowings	233,101	907,190	825,999	1,966,290	1,477,660
	<u>5,288,072</u>	<u>907,190</u>	<u>825,999</u>	<u>7,021,261</u>	<u>6,532,631</u>
	<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>

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

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 %
Year ended 30 June 2018								
Borrowings								
Fixed rate								
Debentures	0	0	23,154	0	0	1,454,506	1,477,660	6.65
Weighted average Effective interest rate			5.82%			6.55%		
Year ended 30 June 2017								
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%		

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

36. AGED CARE REPORTING NOTE

This note discloses the revenue, expenditure, assets and liabilities of the Kalkarni Aged Care Facility

	Kalkarni Residential Aged Care	
	2018	2017
	\$	\$
Revenue		
Operating Grants, Subsidies and Contributions	3,004,824	2,777,809
Fees and Charges	960,270	1,011,950
Total Revenue	<u>3,965,094</u>	<u>3,789,759</u>
Expenditure		
Materials and Contracts	(3,635,363)	(3,571,762)
Borrowing Costs	(5,271)	(5,744)
Depreciation of assets	(96,179)	(186,547)
Other Expenditure	(157,294)	(68,328)
Total Expenditure	<u>(3,894,107)</u>	<u>(3,832,381)</u>
Operating Result	<u>70,987</u>	<u>(42,622)</u>
Assets		
Current assets	4,251,224	3,602,514
Non-current assets	8,134,744	8,108,243
Total assets	<u>12,385,968</u>	<u>11,710,757</u>
Liabilities		
Current liabilities	4,377,675	3,459,436
Non-current liabilities	0	0
Total liabilities	<u>4,377,675</u>	<u>3,459,436</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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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

	2018	2017
Short-term employee benefits	425,661	453,630
Post-employment benefits	40,756	62,948
Other long-term benefits	21,759	44,642
Termination benefits	2,773	150,972
Total KMP compensation	490,949	712,192

Short-term employee benefits

These amounts include all salary, 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 annual and 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:

	2018	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.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council of the Shire of Brookton

Report on the Audit of the Financial Report

Qualified Opinion

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the annual financial report of the Shire of Brookton:

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

Basis for Qualified Opinion

The 2018-19 financial assistance grant received from the Commonwealth Government in June 2018 was not recognised as revenue in accordance with Australian Accounting Standard AASB 1004 "Contributions". Instead, this grant was recorded as Trade and other payables.

Consequently, operating grants, subsidies and contributions and the Net result in the Statement of Comprehensive Income by Nature or Type are understated by \$504,598, General purpose funding revenue and the Net result in the Statement of Comprehensive Income by Program are understated by \$504,598 and Trade and other payables in the Statement of Financial Position are overstated by the same amount. In addition, this has resulted in understatement of the current, debt service cover and operating surplus ratios disclosed in Note 19 of the financial report.

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In addition to the effects of the matter described in the Basis for Qualified Opinion section of my report, the following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. More employees than necessary have the ability to make modifications in the system to the rates used for fees and charges. The Shire does not have a system logging process to report and review changes made to fees and other charges. In addition, a shared account can be used to modify creditor and debtor details in the system. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 19 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
13 December 2018