



ANNUAL REPORT 2018/2019

Shire of Brookton

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Acknowledgement of Country

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

Shire Mission and Vision

Shire of Brookton Mission

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

BROOKTON Vision by 2027

BROOKTON is

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

Shire President Message

It is my pleasure to present the Shire of Brookton's Annual Report for 2018-19 on behalf of my fellow Councillors. It's been an honour and privilege to be able to serve as the Shire President and continue the great work and achievements of the past financial year.

The Shire completed the process of the Integrated Planning and Reporting framework and we sought your input and commitment to the innovations pathway by providing ideas for the Book of Ideas or to sit on an Advisory Group or to generally communicate with us with your ideas for the future of Brookton. You asked the Shire to be more collaborative, transparent and accountable and in turn we asked you to be part of the process.

Many of you took up the opportunities and for this, I thank you.

We tried to ensure that the progress of the pathway was communicated to you across all mediums and many of you read via the Shire's webpage, the community e-news and the Brookton Telegraph, many of the ideas and the progress of the Innovations pathway in this financial year.

The planning for many of the ideas that the community came up with in 2018-19 were progressed to more detailed research, enacted by others within the community or in some cases referred to Council for a decision. The development of a community garden and the subsequent formation of Brookton Community Inc., the umbrella organisation under which the Brookton Community Garden will sit, is one example where the idea was initiated by the Innovations Pathway process and then this led to the Brookton community taking up the challenge and moving the project forward. The Shire committed money to the Entry Statement Competition and in 2019-20 it will be bought to fruition.

In this financial year, a major focus was on the sale of Kalkarni and this process has been ongoing for some years. As a major land transaction, it was, and still is, a complex project that will not be completed until next year.

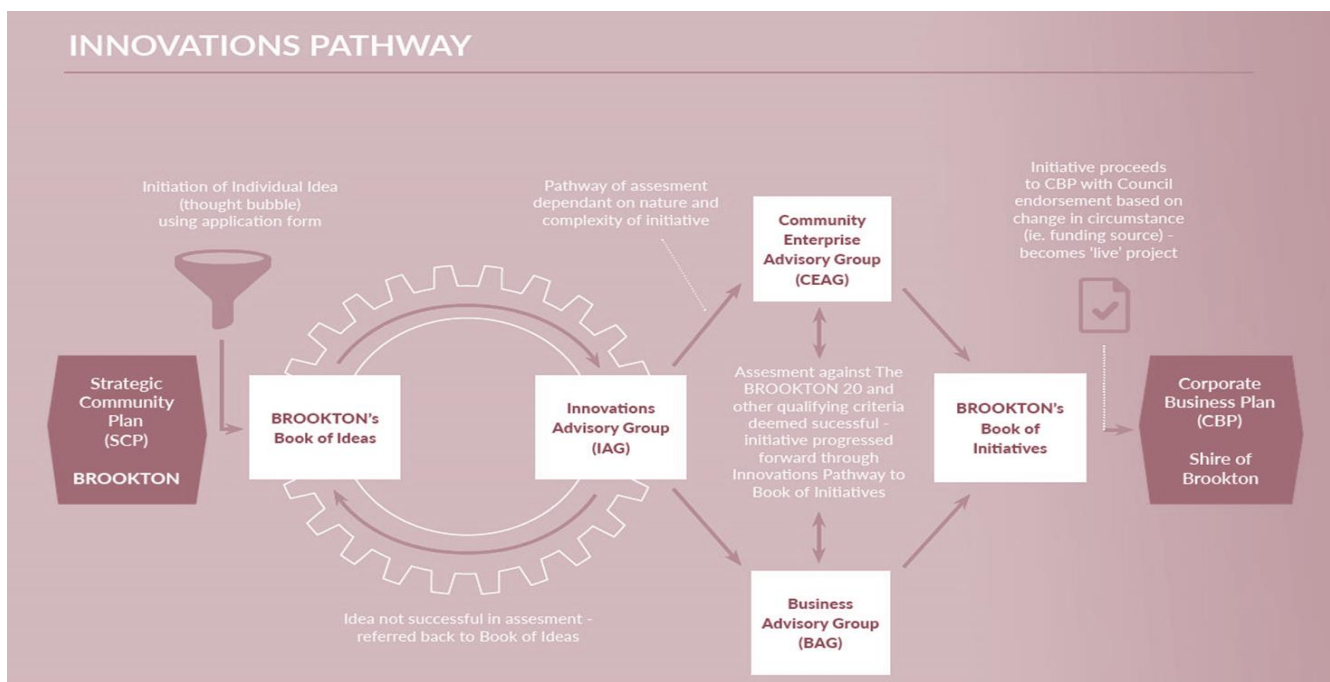
We know, that while we have all the innovative and collaborative ideas for future projects, we recognise that Local Government is the closest tier of government to the community and it's our job to deliver the essential services and infrastructure the community needs and wants. To do this, we need to be flexible and work together with the community - which is something we have been working to improve through the IPR process and the Innovations Pathway.

We initiated a number of programs in conjunction with the community such as the formation of the Brookton Business Advisory Group to help small businesses get on track to better local business, including how we can collaborate to achieve Brookton outcomes. We also finished renovating some of our facilities such as the kitchen and floor at the WB Eva Pavilion and the installation of the gazebo and new niche wall at the cemetery.

We will continue to be innovative, collaborative and accountable and I thank all members of the community for their time and especially those many volunteers who contribute their time to advance a bigger, better Brookton.

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

Thank you to all who have contributed to the combined successes of 2018-19, I look forward to working with you to achieve Next Generation BROOKTON.



Chief Executive Officer Message

It is with pleasure that I provide the constituents of the Shire with an update on the statutory reporting requirements and key achievements for the 2018/2019 financial year, summarised as follows:

Financial Management

As the Shire's second year of auditing by the Office of the Auditor General (AOG), it is pleasing to receive the 2018/19 audited Annual Financial Report and comments from the Auditors that instils confidence in the Shire's fiscal position.

It is clear the Council's oversight and strategies to address and maintain revenue levels, including cashed back financial reserves, places the organisation in a sound position moving forward.

A copy of the Annual Financial Report together with the Auditor's comments and findings is appended to this report.

Integrated Planning and Reporting (IPR)

During the year the Council proceeded with implementation of its IPR framework following extensive consultation with the Community and finalisation of the Next Generation BROOKTON Strategic Community Plan and Corporate Business Plan.

Included in implementation of the IPR framework was the new 'Innovations Pathway' process that involved members of the community participating in three Advisory Groups under the auspice of Council. The primary objective of the Advisory Groups is to assist with the strategic direction and vet future projects for the Shire, qualified against the BROOKTON 20 (Community's aspirations defined through the IPR process).

Although this Annual Report is predominantly about looking back and accounting for delivery of programs and projects, in the case of 2018/19 it was a year of looking forward with a clear focus on re-engagement, collaboration and facilitation as key elements to setting strategic direction for the Shire over the next four to ten years. In light of this, the Council has turned its attention to reviewing its Asset Management Plan, Workforce Plan and Long Term Financial Plan, with the view to having these key documents finalised in the 2019/20 financial year.

It is always a challenge to fund the community expectations, provide prudent stewardship of assets and services, accord with increasing levels governance and compliance, and maintain affordability of rate increases and other charges to an appropriate level of balance. To do this, the Council is conscious of the need for a strategic and integrated long-term planning approach that relies on community support to ensure all of the Shire's activities are aligned to the

Community's vision, while continuing to provide necessary levels of service delivery within affordable and sustainable parameters.

Key Statutory and Strategic Matters

During the 2018/19 financial year the Council:

- Progressed to finalisation and implementation of the Community's Strategic Community Plan and Shire's Corporate Business Plan, as previously mentioned above.
- Also progressed current review of its Town Planning Scheme, with draft Local Planning Scheme No. 4 expected to be finalised in the first part of 2019/20.
- Reviewed its Disability Inclusion and Action Plan as required by legislation.
- Relocated the Shire Library Service from the Brookton Community Resource Centre to the Shire Administration Office, with a move to enhance on-line access to books and other publications.

Key Assets

Road Works

The Council continued its focus on road works with the following works performed over the past year:

- Continued road maintenance grading.
- Continued sealing 3 kilometres of the York-Williams Road.
- Reformation and resealing of King Street and Noack Street.
- Reseal of Reynolds Street.
- Gravel Sheeting of Boyagarra Road.
- Footpath extension to Gaynor Street.
- Footpath upgrade to portion of Robinson Road.

The roadworks program continues to be Council's most significant area of expenditure and allocation of Shire resources - see 2018/19 Annual Financial Report for qualified expenditure.

Plant and Equipment

Council has maintained the need to ensure its plant and equipment is current, operational and efficient, while attempting to minimise plant maintenance costs. This has seen the acquisition of the following replacement (new for old) of major plant items:

- Purchase of a Hino 6 wheel truck.
- Purchase of new Ford Ranger dual cab ute (CEO vehicle).
- Purchase of Holden Commodore sedan (DCEO vehicle).
- Purchase of Mitsubishi tray back ute (Gardner vehicle).
- Receipt of John Deer Grader (purchased previous financial year).

Other Capital Works

The other works of mention performed during the year includes:

- Replacement of Kalkarni hot water system.
- Upgrade of Kalkarni nurse call system.
- WB Eva playground improvements.
- Cemetery shade shelter.
- Preliminary engineering structural review of Brookton Railway Station, Memorial Hall, Brookton Aquatic Centre buildings and Historical Museum building (fmr Police Station).
- Continued parks and gardens maintenance.

Proposed Sale of Lot 511

Of importance to the Community has been the proposed sale of Lot 511 Whittington Street that includes the Kalkarni Residential Aged Care Facility and Saddleback Medical Centre.

The intent to sell the property and business interests was initiated by Council in 2015, when freehold tenure of the land was created. The Council realised that being responsible for the operations of a Residential Aged Care Facility presents considerable risk for a small local government entity where it no longer has the understanding nor expertise in what has emerged as a very specialised industry. Subsequently, the Council acquired Lot 511 from the State Government in 2017. Following the acquisition, the Council then proceeded to obtain a sworn valuation on the property and business interests, and then canvassed BaptistCare (WA) Inc. (as the current Aged Care provider) on purchasing Lot 511 as a going concern.

This culminated in the Council preparing a Business Plan and progressing community consultation prior to determining to proceed with the sale in May 2019 that involves mutual negotiation with BaptistCare on an agreed price and terms with the Shire's valuation report instilled as a base line for discussions.

Projecting forward it is expected the sale of Lot 511 will be concluded in the latter half of the 2019/20 financial year, providing successful negotiation and acceptance of terms can be reached.

Asset Management

As part of the Council's obligation under the Local Government (Administration) Regulations, 1996, works commenced on reviewing the condition of assets owned by the Shire. These assets include roads, bridges, footpaths, recreational facilities, plant and equipment, civic and residential buildings.

The asset review is expected to be concluded in the 2019/20 financial year, and will ultimately present Council and the Community with an understanding on preservation and replacement needs as an integral part of the Shire's strategic planning, operational delivery and financial management moving forward.

Elected Members and Staff

During the year the organisation experienced a number of personnel movements with the resignation Cr Travis Eva due to work commitments, and the departure of key employees in Geoff Forward, Michael and Deanne Sweeney, Rhiannon Coad, and Aaron Baxter, all accepting other opportunities of employment. I acknowledge and appreciate their dedication and contribution to the organisation, and also take this opportunity to thank existing staff and Councillors for their continued contribution, support and efforts throughout the 2018/19 financial year.

Ian D'Arcy
Chief Executive Officer

Council and Executive



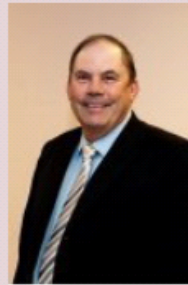
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Deputy Shire President
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Cr Travis Eva
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Resigned January 2019

Always focus on the front windshield not the rear view mirror.

Colin Powell

Senior Staff

Council had three 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
Manager Infrastructure & Regulatory Services	Mr Steve Thomson

The Shire of Brookton employed approximately 23 full time equivalent (FTE) staff during the 2018/2019 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	2019	2018
\$100,000 – \$109,999	0	1
\$110,000 – \$119,999	1	0
\$120,000 – \$129,999	0	0
\$130,000 – \$139,999	0	1
\$140,000 – \$149,999	1	0



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

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



Disability Access and Inclusion Plan

The Shire reviewed its Disability Access and Inclusion Plan (DAIP) in 2018-2019, with progress having been made in several areas of the plan.

Most notably the Shire has recognised that its website requires a review and the Council has accepted the need for funding in its budget to progress a refresh in the 2019-2020 financial year, with the objective to improve the availability of public information in alternative formats and font sizes.

Furthermore, the Shire in also returning the local library service to the Shire Administration Office has moved to roll out a digital platform to improve accessibility of books and other publications on line, making it easier for some people with a disability to access this service. The intent is to also extend a library presence and service to the Kalkarni Residential Aged Care facility in the 2019-2020 financial year, as part of bolster inclusion within the frail aged part of the Brookton Community.



Freedom of Information Statement

The Shire of Brookton is required to provide an Information Statement in accordance with the Freedom of Information Act 1992.

Part 5, Section 94 of the Freedom of Information Act, 1992 requires each agency (including Local Government) to prepare an information statement which conveys the maximum possible details to the public about the agency's operation, and which makes available to the public documents which have previously been unavailable in many cases. Agencies are required to make this publication available ensuring that the public has access to the information it needs to effectively use FOI.

Information held by the Shire, unless deemed by Council or another Act to be confidential, is generally available to members of the public for viewing

A full information statement in this regard is available on the Shire's website and can be provided in alternative formats upon request. The Shire website information is www.brookton.wa.gov.au

Statements can also be provided during the Shire business hours, by contacting: the FOI Officer, Shire of Brookton, 14 White Street, Brookton, 6306, WA. The telephone number is (08) 9642 1106.

It should be noted, in the 2018/2019 financial year the Shire did not receive a request under the Freedom of Information Act 1992.





Annual Financial Report 2018/2019

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

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COMMUNITY VISION

BROOKTON Vision by 2027

BROOKTON is

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

Principal place of business:

14 White Street (PO Box 42) Brookton WA 6306

Phone: (08) 9642 1173

E-mail: mail@brookton.wa.gov.au

Web: www.brookton.wa.gov.au

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the THIRTEENTH day of DECEMBER 2019



Chief Executive Officer

Ian D'Arcy

Name of Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated *
Revenue				
Rates	22(a)	2,270,091	2,269,064	2,060,529
Operating grants, subsidies and contributions	2(a)	4,295,177	3,885,553	4,033,935
Fees and charges	2(a)	1,946,853	1,685,956	1,835,405
Interest earnings	2(a)	157,337	238,526	197,489
Other revenue	2(a)	94,101	92,689	1,304,715
		8,763,559	8,171,788	9,432,073
Expenses				
Employee costs		(1,431,996)	(1,475,184)	(1,382,775)
Materials and contracts		(5,156,036)	(5,778,239)	(4,719,899)
Utility charges		(162,249)	(164,519)	(138,581)
Depreciation on non-current assets	10(b)	(2,953,796)	(2,109,941)	(2,099,883)
Interest expenses	2(b)	(102,149)	(104,477)	(111,957)
Insurance expenses		(179,652)	(183,686)	(160,602)
Other expenditure		(197)	(754)	(126,474)
		(9,986,075)	(9,816,800)	(8,740,171)
		(1,222,516)	(1,645,012)	691,902
Non-operating grants, subsidies and contributions	2(a)	363,199	521,106	622,578
Profit on asset disposals	10(a)	3,947	3,149	3,975
(Loss) on asset disposals	10(a)	(19,546)	(765)	(288,472)
(Loss) on revaluation of Infrastructure - Sewerage	9(a)	0	0	(31,537)
		347,600	523,490	306,544
Net result for the period		(874,916)	(1,121,522)	998,446
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	(271,845)	0	2,072,525
Total other comprehensive income for the period		(271,845)	0	2,072,525
Total comprehensive income for the period		(1,146,761)	(1,121,522)	3,070,971

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

The Shire incorrectly recorded \$504,598 -first quarter 2018/2019 Financial Assistance Grant as "Income in Advance"
The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability.
The 2018 figures were restated for this matter.



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated *
Revenue	2(a)			
Governance		22,872	13,250	36,075
General purpose funding		3,513,906	2,954,940	3,162,977
Law, order, public safety		23,363	20,000	39,820
Health		917	1,300	995
Education and welfare		4,491,317	4,495,237	5,506,990
Housing		102,609	81,696	108,173
Community amenities		392,247	391,933	361,170
Recreation and culture		42,321	43,002	53,725
Transport		83,744	83,440	50,549
Economic services		46,288	50,430	51,889
Other property and services		43,975	36,560	59,710
		<u>8,763,559</u>	<u>8,171,788</u>	<u>9,432,073</u>
Expenses	2(b)			
Governance		(462,384)	(527,426)	(595,467)
General purpose funding		(165,263)	(177,975)	(192,625)
Law, order, public safety		(161,115)	(180,329)	(122,146)
Health		(65,980)	(79,565)	(38,364)
Education and welfare		(4,230,144)	(4,429,554)	(3,941,639)
Housing		(153,090)	(233,810)	(125,854)
Community amenities		(380,207)	(489,282)	(349,956)
Recreation and culture		(802,703)	(967,772)	(690,204)
Transport		(3,064,978)	(2,435,126)	(2,155,401)
Economic services		(142,404)	(170,698)	(101,358)
Other property and services		(255,658)	(20,786)	(315,200)
		<u>(9,883,926)</u>	<u>(9,712,323)</u>	<u>(8,628,214)</u>
Finance Costs	2(b)			
Governance		(3,491)	(3,618)	(3,819)
General purpose funding		(27,340)	(28,142)	(30,725)
Education and welfare		(4,768)	(4,960)	(5,271)
Housing		(7,867)	(8,184)	(8,697)
Community amenities		(3,338)	(3,472)	(3,690)
Recreation and culture		(47,478)	(47,917)	(51,058)
Other property and services		(7,867)	(8,184)	(8,697)
		<u>(102,149)</u>	<u>(104,477)</u>	<u>(111,957)</u>
		<u>(1,222,516)</u>	<u>(1,645,012)</u>	<u>691,902</u>
Non-operating grants, subsidies and contributions	2(a)	363,199	521,106	622,578
Profit on disposal of assets	10(a)	3,947	3,149	3,975
(Loss) on disposal of assets	10(a)	(19,546)	(765)	(288,472)
(Loss) on revaluation of Infrastructure - Sewerage	9(a)	0	0	(31,537)
		<u>347,600</u>	<u>523,490</u>	<u>306,544</u>
Net result for the period		<u>(874,916)</u>	<u>(1,121,522)</u>	<u>998,446</u>
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Changes in asset revaluation surplus	11	(271,845)	0	2,072,525
Total other comprehensive income for the period		<u>(271,845)</u>	<u>0</u>	<u>2,072,525</u>
Total comprehensive income for the period		<u>(1,146,761)</u>	<u>(1,121,522)</u>	<u>3,070,971</u>

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

The Shire incorrectly recorded \$504,598 -first quarter 2018/2019 Financial Assistance Grant as "Income in Advance"
The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability.
The 2018 figures have been restated for this matter.

SHIRE OF BROOKTON
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 \$	2018 Restated * \$
CURRENT ASSETS			
Cash and cash equivalents	3	6,517,375	6,015,126
Trade receivables	5	4,153,483	4,375,025
Other loans and receivables	7(a)	21,296	28,754
Inventories	6	16,487	27,394
TOTAL CURRENT ASSETS		10,708,641	10,446,299
NON-CURRENT ASSETS			
Trade receivables	5	37,819	33,431
Other loans and receivables	7(b)	326,782	362,366
Inventories	6	212,550	212,550
Investments - Bendigo Bank Shares		5,000	5,000
Property, plant and equipment	8	25,499,362	25,763,678
Infrastructure	9	70,270,047	71,958,063
TOTAL NON-CURRENT ASSETS		96,351,560	98,335,088
TOTAL ASSETS		107,060,201	108,781,387
CURRENT LIABILITIES			
Trade and other payables	12	4,153,822	4,550,373
Borrowings	13(b)	136,477	138,652
Employee related provisions	14	147,032	173,825
TOTAL CURRENT LIABILITIES		4,437,331	4,862,850
NON-CURRENT LIABILITIES			
Borrowings	13(b)	1,188,242	1,339,008
Employee related provisions	14	84,913	83,052
TOTAL NON-CURRENT LIABILITIES		1,273,155	1,422,060
TOTAL LIABILITIES		5,710,486	6,284,910
NET ASSETS		101,349,715	102,496,477
EQUITY			
Retained surplus		20,702,254	22,556,048
Reserves - cash backed	4	5,253,474	4,274,596
Revaluation surplus	11	75,393,988	75,665,833
TOTAL EQUITY		101,349,715	102,496,477

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

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The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability. The 2018 figures have been restated for this matter.



SHIRE OF BROOKTON
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		22,327,434	3,504,764	73,593,308	99,425,506
Comprehensive income					
Net result for the period		493,848	0	0	493,848
Other comprehensive income	11	0	0	2,072,525	2,072,525
Total comprehensive income		493,848	0	2,072,525	2,566,373
Transfers from/(to) reserves		(769,832)	769,832	0	0
Balance as at 30 June 2018		22,051,450	4,274,596	75,665,833	101,991,879
Correction of error	28	504,598	0	0	504,598
Restated total equity at the beginning of the financial year		22,556,048	4,274,596	75,665,833	102,496,477
Comprehensive income					
Net result for the period		(874,916)	0	0	(874,916)
Other comprehensive income	11	0	0	(271,845)	(271,845)
Total comprehensive income		(874,916)	0	(271,845)	(1,146,761)
Transfers from/(to) reserves		(978,878)	978,878	0	0
Balance as at 30 June 2019		20,702,254	5,253,474	75,393,988	101,349,715

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

SHIRE OF BROOKTON
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,248,639	2,269,064	2,049,559
Operating grants, subsidies and contributions		4,504,079	4,142,348	2,898,445
Fees and charges		1,946,853	1,685,956	1,835,405
Interest received		157,337	238,526	197,489
Goods and services tax received		(598,947)	29,704	544,658
Other revenue		94,101	92,689	1,304,715
		8,352,062	8,458,287	8,830,271
Payments				
Employee costs		(1,444,461)	(1,475,184)	(1,336,419)
Materials and contracts		(5,561,693)	(6,738,435)	(3,656,379)
Utility charges		(162,249)	(164,519)	(138,581)
Interest expenses		(94,603)	(124,073)	(113,798)
Insurance paid		(179,652)	(183,686)	(160,603)
Goods and services tax paid		628,651		(528,000)
Other expenditure		(197)	(754)	(126,474)
		(6,814,204)	(8,686,651)	(6,060,254)
Net cash provided by (used in) operating activities	15	1,537,858	(228,364)	2,770,017
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(578,468)	(1,434,485)	(1,417,487)
Payments for construction of infrastructure		(801,349)	(1,044,664)	(1,032,973)
Non-operating grants, subsidies and contributions		363,199	521,106	622,578
Proceeds from self supporting loans		43,042	28,754	33,663
Proceeds from sale of property, plant & equipment		90,909	106,818	40,227
Net cash provided by (used in) investment activities		(882,667)	(1,822,471)	(1,753,992)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(152,941)	(138,653)	(130,130)
Net cash provided by (used in) financing activities		(152,941)	(138,653)	(130,130)
Net increase (decrease) in cash held		502,250	(2,189,488)	885,895
Cash at beginning of year		6,015,126	6,015,126	5,129,231
Cash and cash equivalents at the end of the year	15	6,517,375	3,825,638	6,015,126

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Restated *
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	1,418,750	914,152	1,222,206
		1,418,750	914,152	1,222,206
Revenue from operating activities (excluding rates)				
Governance		26,021	16,399	36,075
General purpose funding		1,243,815	685,876	1,102,450
Law, order, public safety		23,363	20,000	39,820
Health		917	1,300	995
Education and welfare		4,491,317	4,495,237	5,506,990
Housing		102,609	81,696	108,173
Community amenities		392,247	391,933	361,170
Recreation and culture		42,321	43,002	53,725
Transport		83,744	83,440	54,524
Economic services		46,288	50,430	51,889
Other property and services		44,773	36,560	59,710
		6,497,415	5,905,873	7,375,521
Expenditure from operating activities				
Governance		(465,875)	(531,044)	(887,758)
General purpose funding		(192,603)	(206,117)	(223,350)
Law, order, public safety		(161,115)	(180,329)	(122,146)
Health		(65,980)	(79,565)	(38,364)
Education and welfare		(4,234,912)	(4,434,514)	(3,946,910)
Housing		(160,957)	(241,994)	(134,551)
Community amenities		(383,545)	(492,754)	(353,646)
Recreation and culture		(850,181)	(1,015,689)	(741,262)
Transport		(3,064,978)	(2,435,126)	(2,155,401)
Economic services		(142,404)	(170,698)	(101,358)
Other property and services		(283,071)	(29,735)	(355,434)
		(10,005,621)	(9,817,565)	(9,060,180)
Non-cash amounts excluded from operating activities	23(a)	2,966,868	2,107,557	2,474,627
Amount attributable to operating activities		877,412	(889,983)	2,012,174
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		363,199	521,106	622,578
Proceeds from disposal of assets	10(a)	90,909	106,818	40,227
Proceeds from self supporting loans	13(b)	43,042	28,754	33,663
Purchase of property, plant and equipment	8(a)	(578,468)	(1,434,485)	(1,417,487)
Purchase and construction of infrastructure	9(a)	(801,349)	(1,044,664)	(1,032,973)
Amount attributable to investing activities		(882,667)	(1,822,471)	(1,753,992)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(152,941)	(138,653)	(130,130)
Transfers to reserves (restricted assets)	4	(1,428,550)	(1,410,988)	(1,056,424)
Transfers from reserves (restricted assets)	4	449,672	1,551,983	286,592
Amount attributable to financing activities		(1,131,819)	2,342	(899,962)
Surplus/(deficit) before imposition of general rates		(1,137,074)	(2,710,112)	(641,780)
Total amount raised from general rates	22	2,270,091	2,269,064	2,060,527
Surplus/(deficit) after imposition of general rates	23(b)	1,133,017	(441,048)	1,418,750

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

The Shire incorrectly recorded \$504,598 -first quarter 2018/2019 Financial Assistance Grant as "Income in Advance"
The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability.
The 2018 figures were restated for this matter.

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 25 to these financial statements.

The Shire incorrectly recorded \$504,598 -first quarter 2018/2019 Financial Assistance Grant as "Income in Advance". The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability. The 2018 figures were restated for this matter.

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Restated
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	4,000		
General purpose funding	1,059,853	534,518	949,872
Law, order, public safety	19,177	16,100	33,709
Education and welfare	3,134,292	3,257,080	3,004,824
Transport	77,855	77,855	45,530
	4,295,177	3,885,553	4,033,935
Non-operating grants, subsidies and contributions			
Community amenities	0	0	5,000
Recreation and culture	6,300	0	0
Transport	356,899	521,106	617,578
	363,199	521,106	622,578
Total grants, subsidies and contributions	4,658,376	4,406,659	4,656,513

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 21. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Restated
	\$	\$	\$
Significant revenue			
Education & Welfare - Kalkarni Agedcare Facility (Included in Operating Grants, Subsidies & Contributions)	3,134,292	3,257,080	3,965,094
Other revenue			
Reimbursements and recoveries	48,473	44,338	208,646
Other	45,628	48,352	1,096,069
	94,101	92,690	1,304,715
Fees and Charges			
Governance	3	50	48
General purpose funding	8,780	7,200	5,571
Law, order, public safety	4,186	3,900	6,111
Health	245	500	361
Education and welfare	1,329,992	1,098,677	1,236,629
Housing	102,005	80,696	105,930
Community amenities	392,248	391,933	361,010
Recreation and culture	36,505	37,010	39,405
Economic services	44,299	44,430	45,888
Other property and services	28,590	21,560	34,452
	1,946,853	1,685,956	1,835,405
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Loans receivable - clubs/institutions	19,898	28,142	24,515
Reserve accounts interest	112,377	70,000	90,232
Rates instalment and penalty interest (refer Note 22(c))	15,227	13,200	13,206
Other interest earnings	9,835	127,184	69,536
	157,337	238,526	197,489

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

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

2. REVENUE AND EXPENSES (Continued)

	2019 Actual	2019 Budget
(b) Expenses	\$	\$
Significant expense		
Education & Welfare - Kalkarni Agedcare Facility	(3,822,585)	(3,984,252)
(c) Auditors remuneration		
- Audit of the Annual Financial Report	43,600	46,200
	43,600	46,200
Interest expenses (finance costs)		
Borrowings (refer Note 13(b))	102,149	104,477
	102,149	104,477
Rental charges		
- Operating leases	3,600	3,600
	3,600	3,600

The fee for Auditing the 18/19 Financial Statements is \$45,000.00 (17/18 fee \$42,000)

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 Restated
Cash at bank and on hand		1,249,652	1,726,281
Restricted		5,267,723	4,288,845
		6,517,375	6,015,126
Comprises:			
- Unrestricted cash and cash equivalents		1,249,652	1,726,281
- Restricted cash and cash equivalents		5,267,723	4,288,845
		6,517,375	6,015,126
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Reserves cash backed - Leave Reserve	4	116,698	0
Plant and Vehicle Reserve	4	891,033	664,198
Land & Housing Redevelopment Reserve	4	1,188,710	1,024,906
Furniture & Equipment Reserve	4	80,392	78,538
Municipal Building & Facilities Reserve	4	329,433	236,375
Townscape & footpath Reserve	4	103,203	51,708
Land Redevelopment Reserve	4	0	136,389
Sewerage Reserve	4	368,937	259,113
Road and Bridges Infrastructure Reserve	4	399,046	432,174
Health and Aged Care Reserve	4	588,020	691,647
Community Bus Reserve	4	80,992	72,165
Sport & Recreation Reserve	4	26,206	15,663
Rehabilitation & Refuse Reserve	4	117,955	53,610
Saddleback Building Reserve	4	55,554	52,782
Caravan Park Reserve	4	141,635	128,429
Brookton Museum/Heritage Reserve	4	45,421	41,888
Kweda Hall Reserve	4	16,758	29,497
Aldersyde Hall Reserve	4	25,806	25,806
Railway Station Reserve	4	118,053	29,497
Madison Square Units Reserve	4	25,249	18,703
Cemetery Reserve	4	33,330	22,622
Water Harvesting Reserve	4	44,744	42,239
Developer Contribution Reserve	4	2,697	2,635
Cash Contingency Reserve	4	177,498	97,171
Brookton Aquatic Reserve	4	129,464	66,841
Independent Living Reserve	4	146,640	0
		5,253,474	4,274,596
Other restricted cash and cash equivalents			
Unspent grants/contributions	21	14,249	14,249
Total restricted cash and cash equivalents		5,267,723	4,288,845

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Reserves cash backed - Leave Reserve	0	116,698		116,698	0	115,242	0	115,242	0			0
(b) Plant and Vehicle Reserve	664,198	226,835		891,033	664,198	221,601	(272,000)	613,799	540,015	124,183		664,198
(c) Land & Housing Redevelopment Reserve	1,024,906	163,804		1,188,710	1,024,906	167,062	(420,000)	771,968	764,765	260,141		1,024,906
(d) Furniture & Equipment Reserve	78,538	1,854		80,392	78,538	2,156	0	80,694	64,855	13,683		78,538
(e) Municipal Building & Facilities Reserve	236,375	93,059		329,434	236,375	92,004	(74,000)	254,379	201,167	41,636	(6,428)	236,375
(f) Townscape & footpath Reserve	51,708	51,496		103,204	51,707	50,717	(39,000)	63,424	49,063	2,645		51,708
(g) Land Redevelopment Reserve	136,389		(136,389)	0	136,389	0	(136,389)	0	129,370	7,019		136,389
(h) Sewerage Reserve	259,113	109,824		368,937	259,113	108,874	0	367,987	194,032	69,427	(4,346)	259,113
(i) Road and Bridges Infrastructure Reserve	432,174	79,965	(113,094)	399,045	432,174	78,689	(113,094)	397,769	292,547	139,627		432,174
(j) Health and Aged Care Reserve	691,647	80,671	(184,298)	588,020	691,647	74,276	(327,000)	438,923	777,172	82,621	(168,146)	691,647
(k) Community Bus Reserve	72,165	8,826		80,991	72,166	8,859	0	81,025	63,695	8,470		72,165
(l) Sport & Recreation Reserve	15,663	10,544		26,207	15,662	10,412	0	26,074	10,391	5,272		15,663
(m) Rehabilitation & Refuse Reserve	53,610	64,345		117,955	53,610	63,920	0	117,530	46,448	7,162		53,610
(n) Saddleback Building Reserve	52,782	2,772		55,554	52,782	2,794	0	55,576	50,114	2,868		52,782
(o) Caravan Park Reserve	128,429	13,206		141,635	128,429	13,173	0	141,602	122,382	6,047		128,429
(p) Brookton Museum/Heritage Reserve	41,888	3,532		45,420	41,889	3,596	0	45,485	37,772	4,116		41,888
(q) Kweda Hall Reserve	29,497	3,152	(15,891)	16,758	29,497	3,298	(17,500)	15,295	25,657	3,840		29,497
(r) Aldersyde Hall Reserve	25,806			25,806	25,806	619	0	26,425	25,657	149		25,806
(s) Railway Station Reserve	29,497	88,556		118,053	29,497	87,154	0	116,651	25,657	3,840		29,497
(t) Madison Square Units Reserve	18,703	6,546		25,249	18,703	6,467	0	25,170	17,689	1,014		18,703
(u) Cemetery Reserve	22,622	10,708		33,330	22,622	10,561	0	33,183	21,471	1,151		22,622
(v) Water Harvesting Reserve	42,239	2,505		44,744	42,239	2,360	(34,000)	10,599	40,302	1,937		42,239
(w) Developer Contribution Reserve	2,635	62		2,697	2,635	63	0	2,698	4,543	92	(2,000)	2,635
(x) Cash Contingency Reserve	97,171	80,327		177,498	97,171	79,492	(39,000)	137,663	0	202,843	(105,672)	97,171
(y) Brookton Aquatic Reserve	66,841	62,623		129,464	66,841	61,966		128,807	0	66,841		66,841
(z) Independent Living Reserve	0	146,640		146,640	0	145,633	(80,000)	65,633	0			0
	4,274,596	1,428,550	(449,672)	5,253,474	4,274,596	1,410,988	(1,551,983)	4,133,601	3,504,764	1,056,424	(286,592)	4,274,596

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

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

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

5. TRADE RECEIVABLES

	2019	2018
	\$	\$
Current		
Rates Outstanding	69,580	52,516
Sundry Debtors	27,951	41,581
GST receivable	0	29,704
Aged Care Facility Bonds	3,954,791	4,036,010
Prepayment & Accrued Income	101,161	215,214
	<u>4,153,483</u>	<u>4,375,025</u>
Non-current		
Pensioner's rates and ESL deferred	37,819	33,431
	<u>37,819</u>	<u>33,431</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

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

Classification and subsequent measurement

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

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

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

Age Care Bonds are the Refundable Accommodation Deposit (RAD) bonds held and invested by Baptistcare. RAD is a standard room price set by the respective aged care facility. The Shire records the RAD bond as a receivable because the funds are held by Baptistcare on behalf of the Shire. There is also a corresponding payable thus the arrangement has a nil effect on the bottom line of the financial report.

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel & Material	16,487	27,394
	<u>16,487</u>	<u>27,394</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>

The following movements in inventories occurred during the year:

Carrying amount at 1 July	239,944	239,944
Inventory Consumed	(10,907)	
Carrying amount at 30 June	<u>229,037</u>	<u>239,944</u>

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
(a) Current assets		
Other loans and receivables	21,296	28,754
	21,296	28,754
Financial assets previously classified as loans and receivables		
- Loans receivable - clubs/institutions	21,296	28,754
	21,296	28,754
(b) Non-current assets		
Other loans and receivables	326,782	362,366
	326,782	362,366
Financial assets previously classified as loans and receivables		
- Loans receivable - clubs/institutions	326,782	362,366
	326,782	362,366

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 13(b) as self supporting loans.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Impairment and risk

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

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Land - vested in and under the control of Council	Total land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Plant and Equipment - Bushfire	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	538,000	355,000	893,000	1,679,885	19,981,978	21,661,863	22,554,863	92,788	1,691,909	776,083	25,115,643
Additions	144,800		144,800		1,150,389	1,150,389	1,295,189	61,318	60,980		1,417,487
(Disposals)	0	0	0	0	(256,706)	(256,706)	(256,706)	(27,331)	(40,687)	0	(324,724)
Depreciation (expense)			0	(23,492)	(234,167)	(257,659)	(257,659)	(8,106)	(153,470)	(25,493)	(444,728)
Carrying amount at 30 June 2018	682,800	355,000	1,037,800	1,656,393	20,641,494	22,297,887	23,335,687	118,669	1,558,732	750,590	25,763,678
Comprises:											
Gross carrying amount at 30 June 2018	682,800	355,000	1,037,800	1,679,885	20,874,780	22,554,665	23,592,465	132,079	1,821,000	801,576	26,347,120
Accumulated depreciation at 30 June 2018	0	0	0	(23,492)	(233,286)	(256,778)	(256,778)	(13,410)	(262,268)	(50,986)	(583,442)
Carrying amount at 30 June 2018	682,800	355,000	1,037,800	1,656,393	20,641,494	22,297,887	23,335,687	118,669	1,558,732	750,590	25,763,678
Additions			0		85,899	85,899	85,899	170,340	322,229		578,468
(Disposals)	0	0	0	0	0	0	0	0	(106,508)	0	(106,508)
Revaluation increments / (decrements) transferred to revaluation surplus			0			0	0		47,134	47,903	95,037
Impairment (losses) / reversals			0		(366,882)	(366,882)	(366,882)				(366,882)
Depreciation (expense)			0	(23,491)	(251,628)	(275,119)	(275,119)	(16,807)	(147,012)	(25,493)	(464,431)
Carrying amount at 30 June 2019	682,800	355,000	1,037,800	1,632,902	20,108,883	21,741,785	22,779,585	272,202	1,674,575	773,000	25,499,362
Comprises:											
Gross carrying amount at 30 June 2019	682,800	355,000	1,037,800	1,679,885	20,588,437	22,268,322	23,306,122	302,419	1,674,575	773,000	26,056,116
Accumulated depreciation at 30 June 2019	0	0	0	(46,983)	(479,554)	(526,537)	(526,537)	(30,216)	0	0	(556,753)
Carrying amount at 30 June 2019	682,800	355,000	1,037,800	1,632,902	20,108,883	21,741,785	22,779,585	272,202	1,674,575	773,000	25,499,362

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market Approach - asset assessed in terms of the factors relevant to a market participant and a value determined after adjusting for difference.	Independent registered valuers	01 June 2017	Available market information
Land - vested in and under the control of Council	3	Cost approach using depreciated replacement cost	Independent registered valuers	01 June 2017	Available market information
Buildings - non-specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	01 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	01 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	01 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	01 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.

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Sewerage	Infrastructure - Parks and Ovals	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2017	68,186,881	470,390	1,500,407	350,042	70,507,720
Additions	994,772		38,201		1,032,973
Revaluation increments / (decrements) transferred to revaluation surplus	2,023,850	(58,373)	(303,389)	410,437	2,072,525
Depreciation (expense)	(1,578,304)	(13,377)	(54,019)	(9,455)	(1,655,155)
Carrying amount at 30 June 2018	69,627,199	398,640	1,181,200	751,024	71,958,063
Comprises:					
Gross carrying amount at 30 June 2018	69,627,199	398,640	1,181,200	751,024	71,958,063
Carrying amount at 30 June 2018	69,627,199	398,640	1,181,200	751,024	71,958,063
Additions	756,384	32,935	12,030		801,349
Depreciation (expense)	(2,386,478)	(10,617)	(39,431)	(52,839)	(2,489,365)
Carrying amount at 30 June 2019	67,997,105	420,958	1,153,799	698,185	70,270,047
Comprises:					
Gross carrying amount at 30 June 2019	70,383,583	431,575	1,193,230	751,024	72,759,412
Accumulated depreciation at 30 June 2019	(2,386,478)	(10,617)	(39,431)	(52,839)	(2,489,365)
Carrying amount at 30 June 2019	67,997,105	420,958	1,153,799	698,185	70,270,047

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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	01 June 2018	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	01 June 2018	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	01 June 2018	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	01 June 2018	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

SHIRE OF BROOKTON
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10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Buildings - specialised	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture and equipment				0				0	256,706	0		(256,706)
Plant and equipment	106,508	90,909		(15,599)	104,434	106,818	3,149	(765)	40,687	40,227	3,975	(4,435)
	106,508	90,909	0	(15,599)	104,434	106,818	3,149	(765)	324,724	40,227	3,975	(288,472)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment				
Governance	\$	\$	\$	\$
PAV115 2016 Toyota Prado	38,670	41,818	3,148	0
Other property and services				
PT7 Mitsubishi Tandem Truck	55,000	35,455	0	(19,545)
PU30 2016 Mitsubishi Triton Ute	12,838	13,636	798	0
	106,508	90,909	3,946	(19,545)
	106,508	90,909	3,946	(19,545)

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	23,491	27,261	23,492
Buildings - specialised	251,628	244,001	234,167
Furniture and equipment	16,807	12,471	8,106
Plant and equipment	147,012	148,462	153,470
Plant and Equipment - Bushfire	25,493	25,143	25,493
Infrastructure - Roads	2,386,478	1,568,073	1,578,304
Infrastructure - Footpaths	10,617	13,194	13,377
Infrastructure - Sewerage	39,431	53,017	54,019
Infrastructure - Parks and Ovals	52,839	18,319	9,455
	2,953,796	2,109,941	2,099,883

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

Depreciation (Continued)

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

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

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11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	565,236	0	0	0	565,236	565,236	0	0	0	565,236
Revaluation surplus - Land - vested in and under the control of Council	237,807	0	0	0	237,807	237,807	0	0	0	237,807
Revaluation surplus - Buildings - non-specialised	209,957	0	0	0	209,957	209,957	0	0	0	209,957
Revaluation surplus - Buildings - specialised	10,814,211	0	(366,882) *	(366,882)	10,447,329	10,814,211	0	0	0	10,814,211
Revaluation surplus - Furniture and equipment	1,527	0	0	0	1,527	1,527	0	0	0	1,527
Revaluation surplus - Plant and equipment	1,321,668	47,134	0	47,134	1,368,802	1,321,668	0	0	0	1,321,668
Revaluation surplus - Plant and Equipment - Bushfire	0	47,903	0	47,903	47,903	0	0	0	0	0
Revaluation surplus - Infrastructure - Roads	61,860,200	0	0	0	61,860,200	59,836,350	2,023,850	0	2,023,850	61,860,200
Revaluation surplus - Infrastructure - Footpaths	188,856	0	0	0	188,856	247,229	0	(58,373)	(58,373)	188,856
Revaluation surplus - Infrastructure - Sewerage	0	0	0	0	0	303,389	0	(303,389)	(303,389)	0
Revaluation surplus - Infrastructure - Parks and Ovals	466,371	0	0	0	466,371	55,934	410,437	0	410,437	466,371
	75,665,833	95,037	(366,882)	(271,845)	75,393,988	73,593,308	2,434,287	(361,762)	2,072,525	75,665,833

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

*Relates to the impairment of a building in 2018-19.

12. TRADE AND OTHER PAYABLES

	2019	2018 restated
	\$	\$
Current		
Sundry creditors	49,239	98,771
Income in Advance	22,704	15,158
Accrued salaries and wages	45,041	39,173
ATO liabilities	6,599	0
Accrued Expenses	75,448	361,261
Aged Care Accommodation Bonds	3,954,791	4,036,010
	<u>4,153,822</u>	<u>4,550,373</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Age Care Bonds are the Refundable Accommodation Deposit (RAD) bonds held and invested by Baptistcare. RAD is a standard room price set by the respective aged care facility. The Shire records the RAD bond as a receivable and a payable thus have a nil effect on the bottom line of the report.

SHIRE OF BROOKTON
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13. INFORMATION ON BORROWINGS

	2019	2018
	\$	\$
Current	136,477	138,652
Non-current	1,188,242	1,339,008
	1,324,719	1,477,660

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2019	30 June 2019	30 June 2019	Budget	30 June 2019	30 June 2019	30 June 2019	Actual	30 June 2018	30 June 2018	30 June 2018
				Principal	Actual	Actual	Actual	Principal	Budget	Budget	Budget	Principal	Actual	Actual	Actual
				1 July 2018	Principal	Interest	Principal	1 July 2018	Principal	Interest	Principal	1 July 2017	Principal	Interest	Principal
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance															
Shire Office Renovations	75	WATC	6.46%	51,805	4,745	3,491	47,060	51,805	4,745	3,618	47,061	56,258	4,453	3,819	51,805
General purpose funding															
Senior Citizen Homes - Mokine Cottages	78	WATC	6.74%	104,011	14,595	7,442	89,416	104,011	14,595	7,485	89,416	110,953	6,942	6,210	104,011
Education and welfare															
Kalkami Residence	80	WATC	5.63%	80,511	8,220	4,768	72,291	80,511	8,220	4,960	72,291	88,287	7,776	5,271	80,511
Housing															
Staff Housing	80	WATC	5.63%	132,843	13,563	7,857	119,280	132,843	13,563	8,184	119,280	145,673	12,830	8,697	132,843
Community amenities															
Sewerage Extension	80	WATC	5.63%	56,358	5,753	3,338	50,605	56,358	5,754	3,472	50,604	61,801	5,443	3,690	56,358
Recreation and culture															
Recreation Plan	81	WATC	6.95%	639,122	49,459	47,476	589,663	639,122	49,459	47,917	589,663	685,315	46,193	51,058	639,122
Transport															
New Grader	80	WATC	5.63%	132,843	13,563	7,857	119,280	132,843	13,563	8,184	119,280	145,673	12,830	8,697	132,843
				1,197,493	109,898	62,251	1,087,595	1,197,494	109,899	63,820	1,087,595	1,293,960	96,467	87,442	1,197,493
Self Supporting Loans															
General purpose funding															
Senior Citizen Homes - Mokine Cottages				0	0	0	0	0	0	0	0	6,716	6,716	2,183	0
Country Club - Extend & Refurb Club House				257,013	19,889	19,094	237,124	257,013	19,889	19,271	237,124	275,589	18,576	20,428	257,013
Multifunctional Family Centre				23,154	23,154	804	0	23,154	8,865	1,386	14,289	31,525	8,371	1,904	23,154
				280,167	43,043	19,898	237,124	280,167	28,754	20,657	251,413	313,830	33,663	24,515	280,167
				1,477,660	152,941	102,149	1,324,719	1,477,661	138,653	104,477	1,339,008	1,607,790	130,130	111,957	1,477,660

Self supporting loans are financed by payments from third parties. These are shown in Note 7 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

13. INFORMATION ON BORROWINGS (Continued)

(c) Loan facilities	\$	\$
Loan facilities - current	136,477	138,652
Loan facilities - non-current	1,188,242	1,339,008
Total facilities in use at balance date	1,324,719	1,477,660

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

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14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	105,359	68,466	173,825
Non-current provisions		83,052	83,052
	105,359	151,518	256,877
Additional provision	69,229	(1,102)	68,127
Amounts used	(69,409)	(23,650)	(93,059)
Balance at 30 June 2019	105,179	126,766	231,945
Comprises			
Current	105,179	41,853	147,032
Non-current		84,913	84,913
	105,179	126,766	231,945
	2019	2018	
	\$	\$	
Amounts are expected to be settled on the following basis:			
Less than 12 months after the reporting date	140,509	171,043	
More than 12 months from reporting date	91,436	85,834	
	231,945	256,877	

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Restated
	\$	\$	\$
Cash and cash equivalents	6,517,375	3,825,638	6,015,126
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(874,916)	(1,121,522)	998,446
Non-cash flows in Net result:			
Depreciation	2,953,796	2,109,941	2,099,883
(Profit)/loss on sale of asset	15,599	(2,384)	284,497
Loss on revaluation of fixed assets	0	0	31,537
Changes in assets and liabilities:			
(Increase)/decrease in receivables	217,154	286,497	(625,204)
(Increase)/decrease in inventories	10,907	0	(11,972)
Increase/(decrease) in payables	(396,551)	(979,790)	564,512
Increase/(decrease) in provisions	(24,932)		50,896
Grants contributions for the development of assets	(363,199)	(521,106)	(622,578)
Net cash from operating activities	1,537,858	(228,364)	2,770,017

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	Restated
Governance	2,089,548	1,838,191
General purpose funding	703,077	717,366
Law, order, public safety	773,000	750,590
Education and welfare	13,994,319	14,008,043
Housing	2,648,477	2,503,996
Community amenities	1,860,008	1,766,627
Recreation and culture	10,160,224	10,421,903
Transport	69,040,963	70,563,331
Economic services	521,844	811,906
Other property and services	3,104,491	2,758,553
Unallocated	2,164,251	2,640,881
	107,060,202	108,781,387

17. CONTINGENT LIABILITIES

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

18. LEASING COMMITMENTS

(a) Operating Lease Commitments

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

	2019	2018
	\$	\$
Payable:		
- not later than one year	3,600	2,400
- later than one year but not later than five years	5,100	8,700
	8,700	11,100

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
The following fees, expenses and allowances were paid to council members and/or the President.	\$	\$	\$
Meeting Fees	30,969	42,263	35,788
President's allowance	1,125	1,875	1,125
Deputy President's allowance	281	938	281
Travelling expenses	2,015	4,120	4,682
	34,390	49,196	41,876

Key Management Personnel (KMP) Compensation Disclosure

	2019 Actual	2018 Actual
The total of remuneration paid to KMP of the Shire during the year are as follows:	\$	\$
Short-term employee benefits	385,611	425,661
Post-employment benefits	36,032	40,756
Other long-term benefits	25,744	21,759
Termination benefits	66,706	2,773
	514,093	490,949

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Transactions with related parties

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

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

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

20. JOINT ARRANGEMENTS

(a) Share of joint operations

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%.

	2019	2018
<i>Non-current assets</i>		
Land and buildings	112,566	112,566
Less: accumulated depreciaton	(2,903)	(1,452)
Total assets	109,663	111,114

SIGNIFICANT ACCOUNTING POLICIES

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 arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interest in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

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

21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance ⁽¹⁾ 30/06/18	Received ⁽²⁾ 2018/19	Expended ⁽³⁾ 2018/19	Closing Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety							
DFES - Operational Funding	14,249	33,580	(33,580)	14,249	19,177	(19,177)	14,249
Community amenities							
Department of Water (WA)	0	5,000	(5,000)	0	0	0	0
Transport							
Roads to Recovery	(10,970)	310,165	(299,195)	0	30,386	(30,386)	0
Total	3,279	348,745	(337,775)	14,249	49,563	(49,563)	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.

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FOR THE YEAR ENDED 30TH JUNE 2019

22. RATING INFORMATION

(a) Rates

			2018/19	2018/19	2018/19	2018/19	2018/19	2017/18	
RATE TYPE	Rate in	Number of	Actual	Actual	Actual	Budget	Budget	Actual	
Differential general rate / general rate	\$	Properties	Rateable Value	Rate Revenue	Total Revenue	Rate Revenue	Total Revenue	Total Revenue	
			\$	\$	\$	\$	\$	\$	
Gross rental valuations									
GRV - Commercial	02	0.112726	23	635,273	68,096	68,096	67,545	67,545	53,431
GRV - Residential	03	0.112726	247	2,750,979	284,541	284,541	284,468	284,468	260,626
GRV - Industrial	04	0.112726	5	71,916	7,433	7,433	7,433	7,433	7,251
GRV - Rural	07	0.112726	2	365,000	41,145	41,145	41,145	41,145	44,259
Exempt Property	13	0.000000	22	138,562	0	0	0	0	0
Non-Rateable Property	0	0.000000	248	48,748	0	0	0	0	0
Unimproved valuations									
UV - Unimproved Value	01	0.01057	266	161,354,600	1,655,878	1,655,878	1,653,276	1,653,276	1,456,343
Sub-Total			813	165,365,078	2,057,093	2,057,093	2,053,867	2,053,867	1,821,910
Minimum payment		Minimum \$							
Gross rental valuations									
GRV - Commercial	809	9		7,281	7,281	7,281	7,281	7,101	
GRV - Residential	809	73		59,057	59,057	59,057	59,057	56,808	
GRV - Industrial	809	1		809	809	809	809	789	
GRV - Rural	809	0		0	0	0	0	0	
Unimproved valuations									
UV - Unimproved Value	1,385	90		124,650	124,650	124,650	124,650	152,663	
Sub-Total		173	0	191,797	191,797	191,797	191,797	217,361	
		986	165,365,078	2,248,890	2,248,890	2,245,664	2,245,664	2,039,271	
Discounts/concessions (refer Note 22(b))					(2,097)		(1,600)	(2,163)	
Total amount raised from general rate					2,246,793		2,244,064	2,037,108	
Ex-gratia rates					23,298		25,000	23,419	
Totals					2,270,091		2,269,064	2,060,527	

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

SHIRE OF BROOKTON
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22. RATING INFORMATION (Continued)

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

Rates Discounts

Rate or Fee	Discount	Discount	2019 Actual	2019 Budget	2018 Actual	Circumstances in which Discount is Granted
Discount Granted	%	\$	\$	\$	\$	
Contiguous Rating Discount			2,097	1,600	2,163	Properties Contiguously Rated over adjoining Shire Boundary
			2,097	1,600	2,163	

22. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
One Payment	05 Oct 2018	0.00	0.00%	11.00%
1st Instalment	05 Oct 2018	0.00	5.50%	11.00%
2nd Instalment	25 Jan 2019	10.00	5.50%	11.00%
1st Instalment	05 Oct 2018	0.00	5.50%	11.00%
2nd Instalment	30 Nov 2018	10.00	5.50%	11.00%
3rd Instalment	25 Jan 2019	10.00	5.50%	11.00%
4th Instalment	22 Mar 2019	10.00	5.50%	11.00%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	8,504	6,200	6,925
Interest on instalment plan	6,723	7,000	6,281
Charges on instalment plan	4,070	5,200	4,080
	19,297	18,400	17,286

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

23. RATE SETTING STATEMENT INFORMATION

		2018/19 Budget (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	Restated 2018/19 (1 July 2018 Brought Forward)
Note		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals	10(a)	(3,947)	(3,149)	(3,975)
Movement in pensioner deferred rates (non-current)		(4,388)		(2,001)
Movement in employee benefit provisions (non-current)		1,861		60,711
Add: Loss on disposal of assets	10(a)	19,546	765	288,472
Add: Loss on revaluation of fixed assets	9(a)	0	0	31,537
Add: Depreciation on assets	10(b)	2,953,796	2,109,941	2,099,883
Non cash amounts excluded from operating activities		2,966,868	2,107,557	2,474,627
(b) Surplus/(deficit) after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserves - restricted cash	3	(5,253,474)	(4,133,601)	(4,274,596)
Less: - Financial assets at amortised cost - self supporting loans	7(a)	(21,296)	(28,754)	(28,754)
Add: Borrowings	13(a)	136,477	136,477	138,652
Total adjustments to net current assets		(5,138,293)	(4,025,878)	(4,164,698)
Net current assets used in the Rate Setting Statement				
Total current assets		10,708,641	7,970,313	10,446,299
Less: Total current liabilities		(4,437,331)	(4,385,485)	(4,862,850)
Less: Total adjustments to net current assets		(5,138,293)	(4,025,878)	(4,164,698)
Net current assets used in the Rate Setting Statement		1,133,017	(441,048)	1,418,750

24. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.96%	6,517,375	5,253,475	1,263,900	0
2018					
Cash and cash equivalents	1.75%	6,015,126	4,288,845	1,726,281	0

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through incentives. The Shire's other major receivable is Aged Care Deposits held by Baptistcare on behalf of the Shire. The Shire manages the risk through a management contract with Baptistcare.

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

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

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

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

No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates. Therefore the adoption of AASB9 had no impact on the Shire

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Gross carrying amount	849	34,950	18,490	46,276	100,565
01 July 2018					
Rates receivable					
Gross carrying amount	1,335	29,225	14,967	41,729	87,256

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	10,757	434	0	125	11,316
Loss allowance	0	0	0	0	0
01 July 2018					
Sundry Receivables					
Gross carrying amount	12,086	138	90	10,549	22,863

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24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
<u>2019</u>	\$	\$	\$	\$	\$
Payables	4,147,223	0	0	4,147,223	4,153,822
Borrowings	223,015	907,190	602,190	1,732,395	1,324,719
	4,370,238	907,190	602,190	5,879,618	5,478,541
<u>2018</u>					
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
	5,288,072	907,190	825,999	7,021,261	6,532,631

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25. TRUST FUNDS

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

	1 July 2018	Amounts Received	Amounts Paid	30 June 2019
	\$	\$	\$	\$
Housing Bond	(1,200)			(1,200)
Other Bond	(13,270)	(13,070)	13,380	(12,960)
Rates Incentive Prize	(200)			(200)
Unclaimed Money	(30)			(30)
Gnulla Child Care Facility	(3,073)			(3,073)
Wildflower Show Funds	(1,240)			(1,240)
Public Open Space Contributions	(13,820)			(13,820)
Developer Contribution	(1)			(1)
	(32,834)	(13,070)	13,380	(32,524)

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies.

In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

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

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

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

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

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

(b) Impairment

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

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

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

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

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

(b) Leases

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

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019.

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

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

Whilst we have not yet performed an assessment, the total operating lease commitments are \$8,700. Therefore the application of the new standard will not have a material impact.

(c) Income For Not-For-Profit Entities

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

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

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

(d) Impact of changes to Retained Surplus

The Shire has not yet performed an assessment of the impact of changes in relation to the new accounting standards.

28. CORRECTION OF ERROR

	2018 (Restated)	2018 Actual
Statement of Financial Position (Extract)	\$	\$
Trade and other payables	4,550,373	5,054,971
Retained surplus	22,556,048	22,051,450
Financial Ratios (Extract)		
Debt service cover ratio	10.69	8.60
Operating surplus ratio	0.13	0.03
Current ratio	1.27	1.15
Statement of Comprehensive Income (Extract)		
<i>By Nature or Type</i>		
General Purpose Funding	4,033,935	3,529,337
<i>By program</i>		
General purpose funding	3,162,977	2,658,379

The Shire incorrectly recorded \$504,598 -first quarter 2018/2019 Financial Assistance Grant as "Income in Advance" The funds were received in the last quarter of 2017/2018 and should have been recorded as income and not as a liability. The 2018 figures have been restated for this matter.

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29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

30. FINANCIAL RATIOS

	2019 Actual	2018 Restated	2017 Actual
Current ratio	1.26	1.27	1.27
Asset consumption ratio	0.97	0.99	0.71
Asset renewal funding ratio	0.78	0.79	0.80
Asset sustainability ratio	0.44	1.15	0.78
Debt service cover ratio	7.13	10.69	8.17
Operating surplus ratio	(0.28)	0.13	(0.10)
Own source revenue coverage ratio	0.45	0.60	0.46

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Brookton

Report on the Audit of the Financial Report

Opinion

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

In my opinion the annual financial report of the Shire of 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 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1(a) to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual 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 annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual 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 annual 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 annual 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 annual 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 annual 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 annual financial report, including the disclosures, and whether the annual 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) 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. The Shire has included bonds and other monies in its trust account which are not held in trust, or required to be credited to the trust account under section 6.9(1) of the *Local Government Act 1995*.
- (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 annual financial ratios for 2017 in Note 30 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion.

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 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.



CAROLINE SPENCER
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
16 December 2019