

2010/2011 Annual Report



SHIRE OF THREE SPRINGS

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ANNUAL GENERAL MEETING OF ELECTORS
COUNCIL CHAMBERS, RAILWAY ROAD, THREE SPRINGS
TUESDAY 7th FEBRUARY, 2012 COMMENCING AT 7.00PM

Order of Business

1. Recording of Attendance
2. Apologies
3. Confirmation of Minutes of Annual Electors Meeting held 9th February, 2010
4. Business Arising
5. **2010 / 2011 Annual Report**
 - President's Report
 - Chief Executive Officer's Report (Includes Statutory Reports)
 - Annual Financial Statement
 - Auditor's Report/Management Report
6. General Business
7. Closure

Copies of the Annual Report are available for collection from the Shire Office to interested Community Members.


Chris Jackson
CHIEF EXECUTIVE OFFICER



**MINUTES OF THE ANNUAL MEETING OF ELECTORS
HELD MONDAY 14th MARCH 2011**

**IN THE COUNCIL CHAMBERS, RAILWAY ROAD THREE SPRINGS
COMMENCING AT 7.05PM**

1. Present

CR AA Treloar
Cr GW Turley
Cr SS Boonstra
Cr BJ Burnett
Cr RN Hebiton
CG Jackson
J Gianfrancesco
T Brandy

Shire President

Acting Chief Executive Officer
Acting Senior Finance Officer
EHO/Building Surveyor

Electors:

Verna Sweetman, Barbara Hunter, Ann Downing, Marilyn Boonstra, Gloria Burnett, Lynda Burns, Nina Slipper, Anthony Thomas, Jack Keogh, Robyn Hunt, Robert Hunt, Ray Treloar, Justine Stokes

2. Apologies

Cr D R Ashcroft and Cr RJ Thorpe

3. Confirmation of Minutes

MOVED Robyn Hunt, SECONDED Cr Sean Boonstra that the Minutes of the Annual Meeting of Electors held on the 9th February, 2010 be confirmed as a true and correct record.

CARRIED

4. Business Arising

- 4.1. Robyn Hunt asked what was happening with the free blocks of land that Council had provided on the condition that they be built on after a certain period. The Shire President and ACEO advised that whilst the matter was being looked into, there does appear to be problems with the way the arrangement had previously been set up with no Caveats placed on the Title Deeds prior to settlement. The matter was continuing to be investigated.
- 4.2. Justine Stokes asked why no action had taken place regarding the need for a fence at the back of the pavilion that was raised at the last Elector's meeting. The ACEO advised that he was unsure why the matter had not been actioned. It would be followed up as part of the normal Elector's meeting process.
- 4.3 Ray Treloar asked about the Construction Camp and its future as a Caravan Park. The EHO, Trevor Brandy provided the meeting with an update on the possible future construction of an ECO Park on Water Road as the construction camp may remain as such for longer than expected with possible future developments.
- 4.4 Justine Stokes asked what was happening with the Ag Department building and the future development of a Community Resource Centre. The Shire President advised that a second meeting is planned for 29th March 2011 to generate community support. A formal decision has yet to be made on the Ag Department building pending a decision on future uses for the facility. General discussion took place regarding the purchase or lease of the building.
- 4.5 Nina Slipper asked if the Ag Department Building could be used for the proposed new Dental Surgery to save costs on construction of a new building. The Shire President advised that this had previously been considered and was a good option but Council was committed at this stage to extend the Medical Centre to accommodate the Dental Surgery.
- 4.6 Ray Treloar asked what Council was doing with all its older housing properties. The Shire President advised that Council would be discussing the housing situation at the March Ordinary meeting with a report that has been prepared by the ACEO.

5. 2008/2009 Annual Report

5.1 President's Report

Cr Annie Treloar presented the President's Report for the Financial Year 2009/2010.

MOVED Ray Treloar, SECONDED Cr Barry Burnett that the President's Report as presented be accepted.

CARRIED

5.2 Chief Executive Officer's Report

The Chief Executive Officer's report was presented by Chris Jackson on behalf of Ian Fitzgerald.

MOVED Ray Treloar, SECONDED Cr Sean Boonstra that the Chief Executive Officer's Report as presented be accepted.

CARRIED

5.3 Statutory Reports

Plan for the Future and National Competition Policy Statutory Reports were presented.

MOVED Ann Downing, SECONDED Cr Barry Burnett that the Statutory Reports as presented be accepted.

CARRIED

5.4 Annual Financial Report

The Annual Financial Report for the year ended 30th June, 2010 was presented.

MOVED Justine Stokes, SECONDED Gloria Burnett that the Annual Financial Report for the year ended 30th June, 2010 is accepted as presented.

CARRIED

5.5 Auditor's Report

The Auditor's Report on the Annual Financial Statement for the year ended 30th June 2010 was presented.

MOVED Cr Barry Burnett, SECONDED Cr Sean Boonstra that the Auditor's Report for the year ended 30th June, 2010 is accepted as presented.

CARRIED

6. General Business

6.1 Ray Treloar asked that some detail be provided on Council's end of year surplus. The ACEO provided an overview of the surplus figures and the balance budget approach used by the Shire.

6.2 Ray Treloar asked what was happening with finishing off the street numbering. The ACEO advised that the Lions Club were to complete the job if required.

6.3 Ray Treloar asked what Council was doing with its annual property maintenance plan. The Shire President advised that it was a challenge to maintain the many properties that Council owned and the Shire would be looking at possible consolidation of some houses in the future.

6.4 Robert Hunt asked about the new community bus. The ACEO advised that the bus was due within the next week or so.

6.5 Justine Stokes asked when the draft Community Sport and Recreation Plan would be released for comment. The ACEO advised that this process should take place shortly.

7. Closure

There being no further business the Chairperson, Cr Annie Treloar declared the meeting closed at 8.20pm.

These Minutes were confirmed at the Annual Meeting of Electors held on 7th February, 2012

Signed _____
Presiding Person at the meeting at which the Minutes were confirmed

Date: 7th February, 2012

President's Report

I welcome the opportunity as your President to provide my report on the activities of the Shire of Three Springs for the financial year 1st July, 2010 through to 30th June, 2011.

Councillors

During the year we welcomed no new Councillors but witnessed the sad passing of Cr Barry Burnett. Barry was a very active member of Council and the community and loved his role with the fire brigade. Our best wishes are again extended to Gloria and the family.

Your Councillors

President

Cr Annie Treloar
PO Box 216
Three Springs WA 6519
Ph: (08) 9954 1951
Fax: (08) 9954 1951

Deputy President

Cr David Ashcroft
PO Box 177
Three Springs WA 6519
Ph: (08) 9954 1065
Fax: (08) 9954 1065

Councillors

Cr Sean Boonstra
73 Slaughter Street
Three Springs WA 6519
Ph: (08) 9954 1513

Cr Neil Hebiton
PO Box 158
Three Springs WA 6519
Ph: (08) 9954 5035
Fax: (08) 9954 5067

Cr Richard Thorpe
PO Box 235
Three Springs WA 6519
Ph: (08) 9954 1116

G.W. (Gary) Turley
PO Box 90
Three Springs WA 6519
Ph: (08) 99541 107
Fax: (08) 99541 447

Your elected members have represented Council and your community at numerous meetings throughout the year. These include the Midwest Regional Council, Mid West Regional Road Group, North Midlands Medical Practice Committee, Yarra Yarra Catchment Council, Structural Reform Working Group and the Northern Zone of the WA Local Government Association. Separately they have attended a variety of local functions and events in their roles as Councillors.

On your behalf, I thank each of our Councillors past and present for their efforts and contributions during 2010/11. Without their support and input Council would not function to provide the high level of facilities and services to our community. To the partners of the

Councillors also goes my appreciation for their support which has allowed them to dedicate time to Council.

To all our wonderful volunteers who continue to help and work with Council in so many ways my thanks and the thanks of the community. Without these people whether it be the bushfire brigade volunteers, the tourism and information centre members, or those who serve on the many sporting and community committees. Without you, Three Springs would not be the strong vital community it is. Thank you.

Council and its administration continued to provide support to both the doctor and dentist and also the childcare centre. Council welcomed Dr. Raj during 2010/11 as a full time medical practitioner and his efforts have been greatly appreciated in the community. Additionally the development of our new dental surgery next to the existing medical centre will further enhance the Shire's medical facilities.

At the year's end, Council finished in a strong financial position with a surplus of \$921,778 plus restricted funds of \$501,942.

In December 2010 Council, jointly with the Shire of Mingenew, agreed to end the resource sharing arrangement between the Shires. I would like to acknowledge the contribution by all parties involved in this process and express appreciation to Ian Fitzgerald for all his hard work and efforts during the period of the Agreement.

In February 2011 Council entered into an agreement with Karara Mining Ltd for the establishment of a 160 man construction camp that was established in Gylde Street. The construction of the new power transmission line out to the Karara mine site commenced and the community of Three Springs benefited greatly from this development.

In April 2011, the West Australian Electoral Commission held a referendum for residents of the Shire of Perenjori asking "Should the Shires of Mingenew, Morawa, Perenjori and Three Springs be abolished and amalgamated to form a new local government to be named the Shire of Billeranga".

On 16 April 2011, The Shire of Perenjori's referendum postal vote was completed. A valid poll was received with 80% of electors voting. The majority of Shire of Perenjori's electors, approximately 93%, voted against the proposed amalgamation of the four Shires.

The result of the referendum:

- Number of "No" votes 273
- Number of "Yes" votes 20
- Number of Invalid votes 0

The amalgamation in its proposed form will therefore not proceed as intended. However, the Shires of Mingenew, Morawa and Three Springs continue to explore options.

Finally I would like to acknowledge and thank our senior staff and in particular Acting Chief Executive Officer Chris Jackson for his dedication, commitment, leadership and advice to Council, the community and myself as Shire President.

We are entering into a new and challenging era of local government and it is only with the support of Councillors and staff that we will be successful. Our draft vision states *Three Springs - A healthy and unified community with a bright future 'Powering the Region'*.

Cr Annie Treloar
Shire President

Chief Executive Officer's Report

PRESIDENT, COUNCILLORS AND ELECTORS AND COMMUNITY MEMBERS,

I have pleasure in presenting my report on activities for the for the 2010/11 financial year.

Rates

The 2010/11 Annual Budget was adopted by Council in August 2010 with an increase in rate revenue of 9.4%. The increase was necessary to meet rising costs across most areas of Council activities and offset reduced grant income.

Reserve Funds

Council continues to build its cash backed reserves to help with future major projects and plant and equipment purchases. As at 30th June 2011 the balance in the Reserve Accounts was \$176,769 comprised as listed below:

Housing & Development	\$16,717
Plant	\$12,832
LSL	\$78,402
Joint Venture Housing	\$50,310
Swimming Pool	\$5,046
Gravel	\$13,462
TOTAL	\$176,769

Audit

The Annual Audit was conducted during November 2011 and a copy of the report is included within this Annual Report.

Building Works in the Shire of Three Springs

Building activity value has improved from last year. For the 2010-2011 financial years, there were 13 building approvals, to the value \$9,002,538 compared with \$713,733 for the previous year.

A breakdown of the various types of projects approved is as follows:

TYPE	NUMBER	VALUE
New dwellings	2	\$ 429,000
Additions to dwellings	1	\$ 4,500
Garages / Patios / Fences etc	8	\$ 65,618
Commercial / Industrial	1	\$8,503,416
TOTAL	12	\$ 9,002,535

Demolition licences

Nil

Town Planning

Due to the mining operations and associated activity within the Shire 6 Planning Approval issued for the 2010-2011 financial year.

Construction Village	1
Lay down Area	1
Extractive Industry Licences	4
Chalets/Motel Units	2
Restaurant Ext	1

Building Maintenance Programme

Council's building maintenance programme has been ongoing to ensure that buildings in control of the Shire of Three Springs have been maintained to a satisfactory standard.

Building-Energy Efficiency 5 Star plus

New legislation has been passed which requires further Energy Efficiency measures to be included in commercial buildings, new houses and swimming pools.

Environmental Health

Food premises

Food premises have been assessed and have been found to be in a satisfactory condition with items requiring attention being attended to.

Food recalls

A number of food recalls and information items related to food safety were received by Council. However there were no issues of concern for the year.

Public buildings

The public buildings controlled by Council were assessed in conjunction with the building maintenance programme.

Disability Access and Inclusion Plan Outcomes

The Disability Services Act 1993 was amended in December 2004, creating a requirement for public authorities to develop and implement Disability Access and Inclusion Plans (DAIPs). These plans had to be fully developed by July 2007, and replaced and built on the achievements of Disability Service Plans (DSPs).

Council adopted a DAIP in June 2007 for implementation in July 2007. Council is required to report on our present activities as they relate to the six desired DAIP outcomes.

1. Council is continually adapting our existing services to give people with disabilities the same opportunities as other people to access the services of, and any events organised by the Shire.
2. Council also continues with improvements to buildings and footpath infrastructure to assist both wheelchair and gopher access.
3. Wherever possible people with disabilities can receive information from the Shire in a format that will enable them to access the information as readily as other people are able to access it. This includes a comprehensive website and the ability to change documents to large font size.
4. The Staff are always encouraged to be aware of the needs of people with disabilities to ensure they receive the same level and quality of service as other people receive. We are also working with our contractors to ensure they are aware of their responsibilities.
5. People with disabilities have the same opportunities as other people to make complaints to the staff, this can be via written letters, email, SMS or verbally.
6. Council provides many ways for people to participate in public consultation and we are more than happy to discuss any grievances community members may have regarding the services available to the disabled.

Shire of Three Springs Waste Water Reuse Scheme

Council has received approval from the Health Department of Western Australia to reuse effluent water on Council's ovals.

The approval will lessen the reliance on potable water which comes at a cost to ratepayers.

Shire of Three Springs Town Planning Scheme No 2

Council has employed Greg Rowe and Associates to implement the Shire of Three Springs's Town Planning Scheme No 2.

Our previous Scheme is 23 years old and doesn't reflect the Model Scheme Text that is required for future growth. The new scheme and town site strategy will give Three Springs planned growth for the future.

Projects

Major road projects during the year included works on Dudawa Road \$390,758, Nebru Road \$257,795, Bunney Road \$56,327, Sheppard Road \$45,138 with a total construction cost of \$842,045. Road maintenance for the year totalled \$405,638 with \$274,858 on general road maintenance.

Building improvements and maintenance totalled \$173,889, Waste disposal and collection \$62,569, swimming pool maintenance \$109,794 and parks, gardens and sporting amenities \$180,636.

A major project for the year was the resurfacing and expansion of the Three Springs Netball Courts with a project cost of \$115,837. Works on the pavilion also commenced with painting, new hot water services, carpet in the gym and various other improvements at a cost of \$27,273. Work on the pavilion is continuing with funding received from the Country Local Government fund.

STAFF

A big thank you to the following staff who left the Shire of Three Springs during the period.

Wayne Jolly
Barrie Greves
Anthony Thomas
Graham Lane
Darryl Dalgetty
Gwen McAdam
Kylie McGree
Jim Gianfrancesco – Contractor

Ian Fitzgerald and Erin Greaves, as part of the resource sharing agreement with the Shire of Mingenew also left the Shire.

Our best wishes go out to Wayne Jolly and his family as Wayne is very unwell.

A warm welcome to the following staff who joined the Shire of Three Springs.

Rod Ennor
Terry Clarke
Donna Grice
Rebecca Bussenschutt
Nereida Costick
Margariet Metsemakers

Mitchell Reid was also made a permanent employee following a period as a trainee. Well done Mitch.

STATUTORY REPORTS

NATIONAL COMPETITION POLICY (NCP)

Under Clause 7 of the NCP Statement, Council was required to produce a strategy for the review and reform of Local Laws. There are a substantial number of by-laws (Local Laws) that have been superseded by the changes to the Local Government Act and other legislation. The process was commenced in 1998 and Council is utilizing WALGA Local Law Service to assist in this process. All Laws have been reviewed by WA Local Law Service and Council has worked through these and adopted these new Laws and has submitted them to the State Government for formal adoption.

Council's business activities do not fall within the area of receiving \$200,000 revenue per annum; therefore Council has not applied the competitive neutrality principals of NCP during this financial year or intends to do so in the forthcoming years unless warranted to do so.

STRATEGIC PLAN

Council reviewed its Plan for the Future during the year. This process has now been superseded with the development of The Shire of Three Springs 10+ Year Strategic Community Plan which was released in draft form to Councillors in December 2011. Council is always receptive to any feedback on any items and invites members of the community to contribute to Council's Strategic Plan.

FREEDOM OF INFORMATION

The Shire of Three Springs has a requirement to comply with the Freedom of Information Act.

During the 2010/11 no applications were received for information under the terms of this legislation.

RECORDS

In accordance with the State Records Act the Shire is required to report on development and compliance of Council's Record Keeping Plan.

A revised Record Keeping Plan has been presented to the State Records Commission in accordance with Section 28 of the *State Records Act 2000* (the Act). Section 28 (5) of that Act requires that no more than 5 years must elapse between approval of a government organization's Recordkeeping Plan and a review of it.

State Records Commission (SRC) Standard 1 – *Government Recordkeeping* requires that government organizations ensure that records are created, managed and maintained over time and disposed of in accordance with principles and standards issued by the SRC.

SRC Standard 2 – *Recordkeeping Plans* comprises six recordkeeping principles each of which contains minimum compliance requirements.

The purpose of this Recordkeeping Plan is to set out the matters about which records are to be created by the Shire of Three Springs and how it is to keep its records.

The Recordkeeping Plan is to provide an accurate reflection of the recordkeeping program within the organization, including information regarding the organization's recordkeeping system(s), disposal arrangements, policies, practices and processes. The Recordkeeping Plan is the primary means of providing evidence of compliance with the Act and the implementation of best practice recordkeeping within the organization.

The objectives of the Shire of Three Springs RKP are to ensure:

- Compliance with Section 28 of the *State Records Act 2000*;
- Recordkeeping within the Local Government is moving towards compliance with State Records Commission Standards and Records Management Standard AS ISO 15489;
- Processes are in place to facilitate the complete and accurate record of business transactions and decisions;
- Recorded information can be retrieved quickly, accurately and cheaply when required; and the
- Protection and preservation of the Local Government's records.

In accordance with Section 17 of the Act, the Shire of Three Springs and all its employees are legally required to comply with the contents of this Plan.

This Recordkeeping Plan applies to all of the Shire of Three Springs:

- Employees;
- Contractors;
- Organisations performing outsourced services on behalf of the Shire of Three Springs; and
- Elected members

Staff Training was undertaken during the year for all staff involved in record keeping and archive retention. Significant work was then undertaken on an archiving process that included the destruction of some records in accordance with the Local Government Disposal Authority and preparation of an archiving schedule. This process had not been undertaken for many years and the Shire now has an up to date records management system.

PUBLIC INTEREST DISCLOSURES

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

Council has complied with all obligations under the Act including:

appointing the Chief Executive Officer as the PID Officer for the organisation and publishing an internal procedure relating to the Shire's obligations.
providing protection from detrimental action or the threat of detrimental action for any employee of the Shire who makes an appropriate disclosure of public interest information.

EMPLOYEE REMUNERATION

The Shire had one employee during 2010/2011 that was entitled to a salary of between \$110,000 and \$120,000.

CONCLUSION

With 2011 proving to be a productive agricultural season there is the opportunity for the community to move forward after a number of poor years. Also with exciting developments such as the ERM power station and the Extension Hill project, the Shire has the opportunity to grow and develop.

I would like to take this opportunity to thank the Shire President Cr Annie Treloar and all Councillors for their support of both myself and the staff.

However, there will be other challenges that Council will need to meet including the growth of mining related activity and the long term sustainability of the Shire of Three Springs. As a Council we need to continue to work on improving roads, parks and gardens, the swimming pool and our services and facilities within the constraints we have. Several projects currently in progress include the Pavilion refurbishment, Dental Clinic and the Swimming Pool.

I wish the Shire of Three Springs all the best in an exciting time ahead with a bright future '*Powering the Region*'.

CHRIS JACKSON
ACTING CHIEF EXECUTIVE OFFICER

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

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SHIRE OF THREE SPRINGS

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2011

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Three Springs being the annual financial report and other information for the financial year ended 30th June 2011 are in my opinion properly drawn up to present fairly the financial position of the Shire of Three Springs at 30th June 2011 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed on the 12th day of December, 2011.

A handwritten signature in black ink, appearing to read 'Chris Jackson', written over a horizontal line.

Chris Jackson
Chief Executive Officer

SHIRE OF THREE SPRINGS
STATEMENT OF COMPEREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Rates	22	1,259,358	1,241,371	1,130,560
Operating Grants, Subsidies and Contributions	28	1,125,321	1,147,949	1,128,499
Fees and Charges	27	1,117,159	891,146	856,555
Interest Earnings	2(a)	75,879	52,005	63,333
Other Revenue		22,762	27,600	30,708
		<u>3,600,479</u>	<u>3,360,071</u>	<u>3,209,655</u>
EXPENSES				
Employee Costs		(1,287,420)	(1,301,631)	(1,185,924)
Materials and Contracts		(1,026,774)	(1,327,972)	(961,273)
Utility Charges		(129,575)	(112,850)	(88,671)
Depreciation on Non-Current Assets	2(a)	(734,462)	(660,400)	(679,010)
Interest Expenses	2(a)	(33,786)	(35,049)	(26,070)
Insurance Expenses		(114,817)	(105,519)	(101,143)
Other Expenditure		(44,241)	(50,500)	(29,311)
		<u>(3,371,075)</u>	<u>(3,593,921)</u>	<u>(3,071,402)</u>
		229,404	(233,850)	138,253
Non-Operating Grants, Subsidies and Contributions				
	28	508,361	814,516	626,350
Profit on Asset Disposals	20	5,295	9,182	100,000
Loss on Asset Disposal	20	<u>(17,909)</u>	<u>(18,866)</u>	<u>(11,622)</u>
NET RESULT		725,151	570,982	852,981
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u><u>725,151</u></u>	<u><u>570,982</u></u>	<u><u>852,981</u></u>

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

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2011

	NOTE	2011 \$	2011 Budget \$	2010 \$
REVENUE				
Governance		78,301	130,425	131,327
General Purpose Funding		2,152,201	1,902,526	1,954,839
Law, Order, Public Safety		40,494	28,250	20,195
Health		784,512	808,770	708,856
Education and Welfare		3,710	4,500	4,245
Housing		163,146	143,538	142,686
Community Amenities		138,317	105,720	65,335
Recreation and Culture		83,082	450,122	73,381
Transport		537,610	547,405	756,421
Economic Services		74,422	35,513	25,943
Other Property and Services		58,340	27,000	52,777
	2 (a)	<u>4,114,135</u>	<u>4,183,769</u>	<u>3,936,005</u>
EXPENSES EXCLUDING FINANCE COSTS				
Governance		(246,112)	(245,647)	(232,019)
General Purpose Funding		(29,259)	(28,209)	(23,375)
Law, Order, Public Safety		(94,124)	(123,454)	(77,455)
Health		(1,029,099)	(1,019,463)	(878,648)
Education and Welfare		(1,130)	(7,500)	(3,462)
Housing		(261,457)	(289,068)	(244,682)
Community Amenities		(137,325)	(198,366)	(141,893)
Recreation & Culture		(513,340)	(687,786)	(455,796)
Transport		(888,744)	(867,367)	(877,815)
Economic Services		(102,326)	(89,753)	(89,639)
Other Property and Services		(52,282)	(21,125)	(32,170)
	2 (a)	<u>(3,355,198)</u>	<u>(3,577,738)</u>	<u>(3,056,954)</u>
FINANCE COSTS				
Health		(4,612)	(4,628)	(5,665)
Housing		(5,103)	(5,562)	(6,797)
Recreation & Culture		(6,610)	(6,795)	(7,241)
Transport		(17,461)	(18,064)	(6,367)
	2 (a)	<u>(33,786)</u>	<u>(35,049)</u>	<u>(26,070)</u>
NET RESULT		725,151	570,982	852,981
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>725,151</u>	<u>570,982</u>	<u>852,981</u>

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

**SHIRE OF THREE SPRINGS
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2011**

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,296,486	1,508,411
Trade and Other Receivables	4	178,074	184,863
Inventories	5	34,402	30,262
TOTAL CURRENT ASSETS		1,508,962	1,723,536
NON-CURRENT ASSETS			
Other Receivables	4	6,844	4,926
Inventories	5	8,000	8,000
Property, Plant and Equipment	6	4,377,779	4,580,483
Infrastructure	7	18,657,303	17,595,657
TOTAL NON-CURRENT ASSETS		23,049,926	22,189,066
TOTAL ASSETS		24,558,888	23,912,602
CURRENT LIABILITIES			
Trade and Other Payables	8	446,209	419,112
Long Term Borrowings	9	67,483	83,619
Provisions	10	107,388	114,595
TOTAL CURRENT LIABILITIES		621,080	617,326
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	430,458	497,941
Provisions	10	13,116	28,252
TOTAL NON-CURRENT LIABILITIES		443,574	526,193
TOTAL LIABILITIES		1,064,654	1,143,519
NET ASSETS		23,494,234	22,769,083
EQUITY			
Retained Surplus		21,970,514	21,253,896
Reserves - Cash Backed	11	176,769	168,236
Reserves - Asset Revaluation	12	1,346,951	1,346,951
TOTAL EQUITY		23,494,234	22,769,083

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

**SHIRE OF THREE SPRINGS
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 2009		20,406,929	162,222	1,346,951	21,916,102
Net Result		852,981	0	0	852,981
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		(6,014)	6,014	0	0
Balance as at 30 June 2010		21,253,896	168,236	1,346,951	22,769,083
Net Result		725,151	0	0	725,151
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		(8,533)	8,533	0	0
Balance as at 30 June 2011		21,970,514	176,769	1,346,951	23,494,234

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

**SHIRE OF THREE SPRINGS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$	2010 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,252,418	1,246,622	1,140,933
Operating Grants, Subsidies and Contributions		1,125,321	1,226,457	1,227,554
Fees and Charges		1,169,594	909,680	1,393,910
Interest Earnings		75,879	52,005	63,333
Goods and Services Tax		269,125	167,000	239,423
Other Revenue		22,762	27,600	30,708
		<u>3,915,099</u>	<u>3,629,364</u>	<u>4,095,861</u>
Payments				
Employee Costs		(1,304,490)	(1,312,650)	(1,177,859)
Materials and Contracts		(1,007,938)	(1,347,380)	(865,639)
Utility Charges		(129,575)	(109,750)	(88,671)
Insurance Expenses		(114,817)	(105,519)	(101,143)
Interest expenses		(34,938)	(35,049)	(20,189)
Goods and Services Tax		(309,749)	(167,000)	(272,506)
Other Expenditure		(44,241)	(55,750)	(29,311)
		<u>(2,945,748)</u>	<u>(3,133,098)</u>	<u>(2,555,318)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>969,351</u>	<u>496,266</u>	<u>1,540,543</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(290,227)	(721,325)	(1,267,429)
Payments for Construction of Infrastructure		(1,418,245)	(1,943,120)	(1,245,801)
Non-Operating Grants, Subsidies and Contributions used for the Development of Assets		508,361	814,516	327,025
Proceeds from Sale of Plant & Equipment		102,454	213,500	194,066
Net Cash Provided By (Used In) Investing Activities		<u>(1,097,657)</u>	<u>(1,636,429)</u>	<u>(1,992,139)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(83,619)	(83,620)	(50,779)
Proceeds from New Debentures		0	90,000	305,000
Net Cash Provided By (Used In) Financing Activities		<u>(83,619)</u>	<u>6,380</u>	<u>254,221</u>
Net Increase (Decrease) in Cash Held		<u>(211,925)</u>	<u>(1,133,783)</u>	<u>(197,375)</u>
Cash at Beginning of Year		1,508,411	1,508,411	1,705,786
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>1,296,486</u></u>	<u><u>374,628</u></u>	<u><u>1,508,411</u></u>

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

**SHIRE OF THREE SPRINGS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2011**

	NOTE	2011 \$	2011 Budget \$
REVENUE			
Governance		78,301	130,425
General Purpose Funding		892,843	661,155
Law, Order, Public Safety		40,494	28,250
Health		784,512	808,770
Education and Welfare		3,710	4,500
Housing		163,146	143,538
Community Amenities		138,317	105,720
Recreation and Culture		83,082	450,122
Transport		537,610	547,405
Economic Services		74,422	35,513
Other Property and Services		58,340	27,000
		<u>2,854,777</u>	<u>2,942,398</u>
EXPENSES			
Governance		(246,112)	(245,647)
General Purpose Funding		(29,259)	(28,209)
Law, Order, Public Safety		(94,124)	(123,454)
Health		(1,033,711)	(1,024,091)
Education and Welfare		(1,130)	(7,500)
Housing		(266,560)	(294,630)
Community Amenities		(137,325)	(198,366)
Recreation & Culture		(519,950)	(694,581)
Transport		(906,205)	(885,431)
Economic Services		(102,326)	(89,753)
Other Property and Services		(52,282)	(21,125)
		<u>(3,388,984)</u>	<u>(3,612,787)</u>
Adjustments for Cash Budget Requirements:			
Non-Cash Expenditure and Revenue			
(Profit)/Loss on Asset Disposals		12,614	9,684
Movement in Accrued Interest		(1,152)	0
Movement in Deferred Pensioner Rates (Non-Current)		(1,918)	0
Movement in Accrued Salaries and Wages		998	0
Movement in Employee Benefit Provisions		(22,343)	0
Rounding Adjustment		(3)	0
Depreciation and Amortisation on Assets		734,462	660,400
Capital Expenditure and Revenue			
Purchase Land and Buildings		(35,430)	(284,525)
Purchase Plant and Equipment		(212,430)	(375,400)
Purchase Furniture and Equipment		(42,367)	(61,400)
Purchase Infrastructure Assets - Roads		(1,298,846)	(1,849,480)
Purchase Infrastructure Assets - Parks		(119,399)	(70,000)
Purchase Infrastructure Assets - Footpaths		0	(23,640)
Proceeds from Disposal of Assets		102,454	213,500
Repayment of Debentures		(83,619)	(83,620)
Proceeds from New Debentures		0	90,000
Transfers to Reserves (Restricted Assets)		(8,533)	(6,705)
Transfers from Reserves (Restricted Assets)		0	33,500
ADD Estimated Surplus/(Deficit) July 1 B/Fwd		1,172,139	1,176,704
LESS Estimated Surplus/(Deficit) June 30 C/Fwd		921,778	0
Amount Required to be Raised from Rates	22	<u><u>(1,259,358)</u></u>	<u><u>(1,241,371)</u></u>

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act 1995 and accompanying regulations.

The report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the 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.

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 19 to this financial report.

(c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the statement of financial position are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

(e) Trade and Other Receivables

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories

General

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

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

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until Finance costs and holding charges incurred after development is completed are expensed.

Revenue arising from the sale of property is recognised in the statement of comprehensive income as at the time of signing an unconditional contract of sale.

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

(g) Fixed Assets

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

Initial Recognition

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

Revaluation

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases in the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ materially from that determined using fair value at reporting date.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Land under Roads

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

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB1051 - Land Under Roads and the fact Local Government (Financial Management) Regulation 16(a)(i) prohibits local governments from recognising such land as an asset.

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

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

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

Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	30 to 100 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
clearing and earthworks	not depreciated
construction/road base	50 years
original surfacing and	
major re-surfacing	
- bituminous seals	20 years
Gravel roads	
clearing and earthworks	not depreciated
construction/road base	50 years
gravel sheet	10 years
Formed roads (unsealed)	
clearing and earthworks	not depreciated
construction/road base	50 years
Footpaths - slab	40 years
Water supply piping and drainage systems	75 Years

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Financial Instruments

Initial Recognition and Measurement

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

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

Classification and Subsequent Measurement

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

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period (classified as non-current assets).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

If the Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(iv) Available-for-sale financial assets

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

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period (classified as current assets).

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(i) Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

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

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 '*Impairment of Assets*' and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

(k) Trade and Other Payables

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

(l) Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provision for employees' benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the Council has a present obligation to pay resulting from employees services provided to reporting date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where the Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(m) 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result to settle the obligation; and
- c) 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.

Provisions are not recognised for future operating losses.

(o) Leases

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

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

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

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

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

(p) Joint Venture

The Council's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the appropriate line items of the financial statement. Information about the joint venture is set out in Note 16.

(q) Rates, Grants, Donations and Other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees.

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

(v) Budget Comparative Figures

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 124 – Related Party Disclosures	December 2009	01 January 2011	Nil – It is not anticipated the Council will have any related parties as defined by the Standard.
(iii) AASB 1053 - Application of Tiers of Australian Accounting Standards	June 2010	01 July 2013	Nil - Due to its nature and statutory requirements the Council will be deemed a Tier 1 entity and will continue to prepare general purpose financial statements.
(iv) AASB 2009 -12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16. 1039 & 1052]	December 2009	01 January 2011	Nil – The revisions embodied in this standard relate to standards which do not apply to local government (ie AASB8) or are largely editorial in nature and will have minimal effect (if any) on the accounting practices of the Council.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(v) AASB 2009– 11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(vi) AASB 2010 - 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5 15 17 127 129 & 10521]	June 2010	01 July 2013	Nil - None of these amendments will have any effect on the financial report as the standard does not apply in the case of general purpose financial statements.
(vii) AASB 2010 - 4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134, and Interpretation 13]	June 2010	01 January 2011	Nil - The revisions are part of the AASB's annual improvement project to help ensure consistency with presentation, recognition and measurement criteria of IFRSs. It is not anticipated these will have any effect on the Council.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(viii) AASB 2010 - 5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	October 2010	01 January 2011	Nil - The revisions embodied in this standard are largely editorial in nature or relate to standards not applicable to the Council and will have minimal effect (if any) on the accounting practices of the Council.
(ix) AASB 2010 - 6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]	November 2010	01 July 2011	Nil - The revisions embodied in this standard amend disclosures required on transfers of financial assets. The Council is not expected to have any qualifying transfers.
(x) AASB 2010 - 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	December 2010	01 January 2013	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(xi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 1 & 7]	December 2010	01 January 2012	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) (Continued)			
AASB 2010 - 9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	December 2010	01 July 2011	Nil - None of these amendments will have any effect on the financial report as none of the topics are relevant to the operations of the Council.
AASB 2009- 14 Amendments to Australian Interpretations - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	December 2009	01 January 2011	
AASB 2010 - 10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009 - 11 & 2010 - 7]	December 2010	01 January 2013	

Notes:

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 2009 - 5
AASB 2009 - 8
AASB 2009 - 10
AASB 2009 - 13
AASB 2010 - 1
AASB 2010 - 3

Interpretation 19

The standards adopted had a minimal effect on the accounting and reporting practices of the Council as they were either largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES	2011	2010
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	11,550	11,550
- Other Services	0	0
Depreciation		
Buildings	94,373	86,368
Furniture and Equipment	54,481	52,982
Plant and Equipment	195,555	169,503
Motor Vehicles	33,454	26,799
Roads	347,343	334,744
Airfields	528	528
Parks and Ovals	5,999	5,425
Footpaths	2,729	2,661
	<u>734,462</u>	<u>679,010</u>
Interest Expenses (Finance Costs)		
Debentures (<i>refer Note 21(a)</i>)	33,786	26,070
	<u>33,786</u>	<u>26,070</u>
Rental Charges		
- Operating Leases	16,035	15,061
	<u>16,035</u>	<u>15,061</u>
(ii) Crediting as Revenue:	2011	2011
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	8,533	6,705
- Other Funds	57,910	40,000
Other Interest Revenue (<i>refer note 26</i>)	9,436	5,300
	<u>75,879</u>	<u>52,005</u>
	<u>75,879</u>	<u>52,005</u>
		<u>63,333</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Administration and operation of facilities and services to members of council; other costs that relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective: To collect revenue to fund provision of services.

Activities: Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective: To ensure a safer community in which to live

Activities: Supervision of various local laws, fire prevention, emergency services and animal control.

HEALTH

Objective: To provide an operational framework for good community health.

Activities: Food quality and pest control, maintenance of child health centre, medical centre, dental clinic and administration of group health scheme.

EDUCATION AND WELFARE

Objective: To support the needs of the community in education and welfare.

Activities: Assistance to playgroup, administration of Youth Advisory Committee.

HOUSING

Objective: Provide adequate housing to attract and retain staff and non-staff.

Activities: Maintenance of council owned staff and non-staff housing.

COMMUNITY AMENITIES

Objective: Provide services as required by the community.

Activities: Rubbish collection services, operation of tip, noise control, administration of town planning scheme, maintenance of cemetery, rest centres, storm water drainage and FM radio retransmitter.

RECREATION AND CULTURE

Objective: To establish and efficiently manage infrastructure and resources which will help the social well being of the community.

Activities: Maintenance of swimming pool, recreation centre, library, parks, gardens and reserves.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

TRANSPORT

Objective: To provide effective and efficient transport services to the community.

Activities: Construction and maintenance of streets, roads, bridges; cleaning and lighting of street, traffic signs; depot maintenance and airstrip maintenance.

ECONOMIC SERVICES

Objective: To help promote the Shire and improve its economic well being.

Activities: The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control, plant nursery and standpipes.

OTHER PROPERTY & SERVICES

Activities: Private work operations, plant repair/operations and Arrino cropping.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance (*) 1-Jul-09 \$	Received (+) 2009/10 \$	Expended (#) 2009/10 \$	Closing Balance (*) 30-Jun-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance 30-Jun-11 \$
Grant/Contribution	Function/ Activity							
Grants Commission Bridge Funding	Transport	206,668	0	0	206,668	0	0	206,668
Roads to Recovery - Bridge Funding	Transport	655,425	0	(57,187)	598,238	0	(598,238)	0
Roads to Recovery (Transport)	Transport	21,732	0	(21,732)	0	226,962	0	226,962
	Other Law, Order &							
Office of Crime Prevention	Public Safety	10,000	0	0	10,000	0	0	10,000
Office of Crime Prevention	Recreation & Culture	10,000	0	0	10,000	0	0	10,000
RLCIP Grant	Recreation & Culture	38,075	30,000	(38,075)	30,000	30,000	(32,000)	28,000
Royalties For Regions Grant	Recreation & Culture	567,714	0	(567,714)	0	0	0	0
CLGF - Forward Capital Works Plan	Governance	0	35,000	(8,996)	26,004	0	(5,692)	20,312
Total		1,509,614	65,000	(693,704)	880,910	256,962	(635,930)	501,942

Notes:

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

(+) - 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.

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2010 \$
3. CASH AND CASH EQUIVALENTS		
Cash on Hand - Unrestricted	650	650
Cash on Hand - Municipal	1,119,067	1,339,525
Restricted - Reserves	176,769	168,236
	<u>1,296,486</u>	<u>1,508,411</u>
 Cash on Hand - Municipal		
Unrestricted Cash	617,125	458,615
Restricted Cash	501,942	880,910
	<u>1,119,067</u>	<u>1,339,525</u>
 The following restrictions have been imposed by regulations or other externally imposed requirements:		
Long Service Leave Reserve	78,402	74,617
Plant Reserve	12,832	12,213
Housing and Development Reserve	16,717	15,910
Joint Venture Housing Reserve	50,310	47,881
Gravel Pit Reserve	13,462	12,812
Swimming Pool Rec Equip Reserve	5,046	4,803
	<u>176,769</u>	<u>168,236</u>
 Other:		
Municipal Cash on Hand - Restricted		
Unspent Grants (refer note 2 (c))	501,942	880,910
	<u>501,942</u>	<u>880,910</u>
 4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	40,316	27,492
Sundry Debtors	85,396	137,831
Provision for doubtful debts	(16,684)	(8,882)
GST Receivable	69,046	28,422
	<u>178,074</u>	<u>184,863</u>
 Non-Current		
Rates Outstanding - Pensioners	6,844	4,926
	<u>6,844</u>	<u>4,926</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011 \$	2010 \$
5. INVENTORIES		
Current		
Fuel and Materials	11,340	7,794
Medical Centre Stock	23,062	22,468
	<u>34,402</u>	<u>30,262</u>
Non-Current		
Land Held for Resale - Cost		
Cost of Acquisition	8,000	8,000
	<u>8,000</u>	<u>8,000</u>
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings - Cost	4,351,084	4,315,654
Less Accumulated Depreciation	<u>(1,505,191)</u>	<u>(1,410,818)</u>
	2,845,893	2,904,836
Furniture and Equipment - Cost	766,522	725,882
Less Accumulated Depreciation	<u>(511,313)</u>	<u>(458,559)</u>
	255,209	267,323
Plant and Equipment - Cost	2,318,905	2,309,537
Less Accumulated Depreciation	<u>(1,309,309)</u>	<u>(1,131,570)</u>
	1,009,596	1,177,967
Motor Vehicles - Cost	314,799	267,205
Less Accumulated Amortisation	<u>(47,718)</u>	<u>(36,848)</u>
	267,081	230,357
	<u>4,377,779</u>	<u>4,580,483</u>

The above assets are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

The following represents the 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 & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Balance as at 1 July 2010	2,904,836	267,323	1,177,967	230,357	4,580,483
Additions	35,430	42,367	35,368	177,062	290,227
(Disposals)	0	0	(8,184)	(106,884)	(115,068)
Depreciation (Expense)	(94,373)	(54,481)	(195,555)	(33,454)	(377,863)
Balance as at 30 June 2011	<u>2,845,893</u>	<u>255,209</u>	<u>1,009,596</u>	<u>267,081</u>	<u>4,377,779</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

	2011 \$	2010 \$
7. INFRASTRUCTURE		
Roads - management valuation 2005	29,291,210	29,291,210
Roads - Cost	6,517,369	5,218,523
Less Accumulated Depreciation	<u>(17,541,019)</u>	<u>(17,193,676)</u>
	18,267,560	17,316,057
 Footpaths - Cost	 109,169	 109,169
Less Accumulated Depreciation	<u>(11,629)</u>	<u>(8,900)</u>
	97,540	100,269
 Airfields - Cost	 26,400	 26,400
Less Accumulated Depreciation	<u>(13,552)</u>	<u>(13,024)</u>
	12,848	13,376
 Parks & Ovals - Cost	 417,805	 298,406
Less Accumulated Depreciation	<u>(138,450)</u>	<u>(132,451)</u>
	279,355	165,955
	<u>18,657,303</u>	<u>17,595,657</u>

Council have adopted a policy of re-valuing roads with sufficient regularity to ensure the carrying amount of each road asset is fairly stated at reporting date. This policy accords with the requirements of AASB 116.

The above assets are subject to an annual assessment as to whether there is any indication an asset may have been impaired in accordance with AASB 136 "Impairment of Assets".

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

The following represents the movement in the carrying amounts of each class of infrastructure between the beginning and the end of the current financial year.

	Roads \$	Footpaths \$	Airfields \$	Parks and Ovals \$	Total \$
Balance as at 1 July 2010	17,316,057	100,269	13,376	165,955	17,595,657
Additions	1,298,846	0	0	119,399	1,418,245
Depreciation (Expense)	(347,343)	(2,729)	(528)	(5,999)	(356,599)
Balance as at 30 June 2011	18,267,560	97,540	12,848	279,355	18,657,303

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2010 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	381,057	358,081
PAYG Liability	29,356	17,440
Accrued Expenditure	0	7,641
Accrued Interest on Debentures	8,060	9,212
Accrued Salaries and Wages	27,736	26,738
	<u>446,209</u>	<u>419,112</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge Debentures	67,483	83,619
	<u>67,483</u>	<u>83,619</u>
Non-Current		
Secured by Floating Charge Debentures	430,458	497,941
	<u>430,458</u>	<u>497,941</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	69,017	65,130
Provision for Long Service Leave	38,371	49,465
	<u>107,388</u>	<u>114,595</u>
Non-Current		
Provision for Long Service Leave	13,116	28,252
	<u>13,116</u>	<u>28,252</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011 \$	2011 Budget \$	2010 \$
11. RESERVES - CASH BACKED			
(a) Long Service Leave Reserve			
Opening Balance	74,617	74,617	71,950
Amount Set Aside / Transfer to Reserve	3,785	2,985	2,667
Amount Used / Transfer from Reserve	0	(8,500)	0
	<u>78,402</u>	<u>69,102</u>	<u>74,617</u>
(b) Plant Reserve			
Opening Balance	12,213	12,212	11,776
Amount Set Aside / Transfer to Reserve	619	485	437
Amount Used / Transfer from Reserve	0	0	0
	<u>12,832</u>	<u>12,697</u>	<u>12,213</u>
(c) Housing and Development Reserve			
Opening Balance	15,910	15,910	15,341
Amount Set Aside / Transfer to Reserve	807	615	569
Amount Used / Transfer from Reserve	0	(15,000)	0
	<u>16,717</u>	<u>1,525</u>	<u>15,910</u>
(d) Joint Venture Housing Reserve			
Opening Balance	47,881	47,882	46,170
Amount Set Aside / Transfer to Reserve	2,429	1,915	1,711
Amount Used / Transfer from Reserve	0	(10,000)	0
	<u>50,310</u>	<u>39,797</u>	<u>47,881</u>
(e) Gravel Pit Reserve			
Opening Balance	12,812	12,812	12,354
Amount Set Aside / Transfer to Reserve	650	515	458
Amount Used / Transfer from Reserve	0	0	0
	<u>13,462</u>	<u>13,327</u>	<u>12,812</u>
(f) Swimming Pool Rec Eq Reserve			
Opening Balance	4,803	4,803	4,631
Amount Set Aside / Transfer to Reserve	243	190	172
Amount Used / Transfer from Reserve	0	0	0
	<u>5,046</u>	<u>4,993</u>	<u>4,803</u>
TOTAL CASH BACKED RESERVES	<u>176,769</u>	<u>141,441</u>	<u>168,236</u>

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

11. RESERVES - CASH BACKED (Continued)

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

Long Service Leave Reserve

- to be used to fund long service leave requirements

Plant Reserve

- to be used for the plant replacement, upgrade or purchase.

Housing and Development Reserve

- to be used to fund development projects

Joint Venture Housing Reserve

- to be used to maintain the joint Ministry of Housing/Local Government Properties

Gravel Pit Reserve

- to be used for rehabilitation of disused gravel pits

Swimming Pool Rec Eq Reserve

- to be used to purchase recreational equipment for the swimming pool

The above reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

Profit and losses of the two community housing project properties and Kadathinni Units are directed to the Joint Venture Housing Reserve.

12. RESERVES - ASSET REVALUATION

**2011
\$**

**2010
\$**

Asset revaluation reserves have arisen on revaluation of the following classes of assets:

(a) Roads

Balance as at 1 July 2010	1,346,951	1,346,951
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30 June 2011	<u>1,346,951</u>	<u>1,346,951</u>
 TOTAL ASSET REVALUATION RESERVES	 <u>1,346,951</u>	 <u>1,346,951</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand 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:

	2011 \$	2011 Budget \$	2010 \$
Cash and Cash Equivalents	<u>1,296,486</u>	<u>374,628</u>	<u>1,508,411</u>

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

Net Result	725,151	570,982	852,981
Depreciation	734,462	660,400	679,010
(Profit)/Loss on Sale of Asset	12,614	9,684	(88,378)
(Increase)/Decrease in Receivables	4,871	102,293	260,981
(Increase)/Decrease in Inventories	(4,140)	3,092	(15,451)
Increase/(Decrease) in Payables	27,097	(46,169)	178,225
Increase/(Decrease) in Employee Provisions	(22,343)	10,500	200
Grants/Contributions for the Development of Assets	(508,361)	(814,516)	(327,025)
Net Cash from Operating Activities	<u><u>969,351</u></u>	<u><u>496,266</u></u>	<u><u>1,540,543</u></u>

(c) Undrawn Borrowing Facilities

Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	5,000	14,500
Credit Card Balance at Balance Date	0	(186)
Total Amount of Credit Unused	<u><u>5,000</u></u>	<u><u>14,314</u></u>

Loan Facilities

Loan Facilities - Current	67,483	83,619
Loan Facilities - Non-Current	430,458	497,941
Total Facilities in Use at Balance Date	<u><u>497,941</u></u>	<u><u>581,560</u></u>

Unused Loan Facilities at Balance Date	<u><u>0</u></u>	<u><u>0</u></u>
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**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

14. CONTINGENT LIABILITIES

Council has no known contingent liabilities as at the date of this report.

	2011	2010
	\$	\$

15. CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

There are no outstanding finance commitments at 30 June 2011.

(b) Operating Lease Commitments

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

Leased Assets/Commitments

Ricoh - Photocopier

Custom Fleet - Doctors Car

Payable:

- not later than one year	16,360	5,513
- later than one year but not later than five years	14,644	387
	31,004	5,900

(c) Capital Expenditure Commitments

There were no outstanding capital expenditure commitments at 30 June 2011.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

16. JOINT VENTURE

The Shire in conjunction with the Department of Housing and Works constructed 4 well aged units in 02/03, known as Kadathinni Units, Carter Street, Three Springs. Council's 22.34% equity in this development included in Property, Plant and Equipment as follows:

	2011 \$	2010 \$
Non-Current Assets		
Land and Buildings	168,239	168,239
Less: Accumulated Depreciation	<u>(29,593)</u>	<u>(25,387)</u>
	<u>138,646</u>	<u>142,852</u>

The Shire in conjunction with the Department of Housing and Works constructed 2 houses for community housing purposes in 85/86 and 86/87 in Glyde Street, Three Springs. Council's 10.78% equity in 54 Glyde Street and 11.14% equity in 60 Glyde Street is included in Property, Plant and Equipment is as follows:

Non-Current Assets		
Land and Buildings	29,805	20,292
Less: Accumulated Depreciation	<u>(8,792)</u>	<u>(8,386)</u>
	<u>21,013</u>	<u>11,906</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	751,882	651,402
General Purpose Funding	47,160	32,418
Law, Order, Public Safety	137,740	160,701
Health	514,003	507,860
Housing	1,245,825	1,228,194
Community Amenities	109,747	112,420
Recreation and Culture	1,559,526	1,487,921
Transport	19,549,261	18,990,665
Economic Services	12,424	12,800
Other Property and Services	401,116	482,189
Unallocated	<u>230,204</u>	<u>246,032</u>
	<u>24,558,888</u>	<u>23,912,602</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

	2011	2010	2009
18. FINANCIAL RATIOS			
Current Ratio	1.53	1.24	1.37
Untied Cash to Unpaid Trade Creditors Ratio	1.51	1.22	0.16
Debt Ratio	0.04	0.05	0.03
Debt Service Ratio	0.03	0.02	0.02
Gross Debt to Revenue Ratio	0.14	0.17	0.13
Gross Debt to Economically Realisable Assets Ratio	0.08	0.09	0.06
Rate Coverage Ratio	0.31	0.29	0.22
Outstanding Rates Ratio	0.03	0.02	0.04

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted current assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Untied Cash to Unpaid Trade Creditors Ratio	$\frac{\text{untied cash}}{\text{unpaid trade creditors}}$
Debt Ratio	$\frac{\text{total liabilities}}{\text{total assets}}$
Debt Service Ratio	$\frac{\text{debt service cost}}{\text{available operating revenue}}$
Gross Debt to Revenue Ratio	$\frac{\text{gross debt}}{\text{total revenue}}$
Gross Debt to Economically Realisable Assets Ratio	$\frac{\text{gross debt}}{\text{economically realisable assets}}$
Rate Coverage Ratio	$\frac{\text{net rate revenue}}{\text{operating revenue}}$
Outstanding Rates Ratio	$\frac{\text{rates outstanding}}{\text{rates collectable}}$

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

19. TRUST FUNDS

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

	Balance 1-Jul-10 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-11 \$
Police Licensing	0	332,680	(319,093)	13,587
Three Springs LCDC	4,334	0	0	4,334
Arrowsmith Catchment	87,459	0	0	87,459
Arrowsmith Rates	1,489	0	0	1,489
Nomination Fees	0	0	0	0
East Three Springs Catchment	2,014	0	0	2,014
BCITF Levy	0	18,752	(18,752)	0
BRB Levy	0	350	(350)	0
RSL Thailand Fund	50	150	(200)	0
Deposits on Free Blocks	3,500	0	(1,000)	2,500
Housing Bonds	0	1,480	(1,200)	280
Pottery Group	2,121	0	(2,121)	0
Hall Hire Bond	0	0	0	0
Cat Trap Bond	0	0	0	0
	<u>100,967</u>			<u>111,663</u>

20. DISPOSALS OF ASSETS - 2010/11 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance						
0 TS - Hyundai Santa Fe	30,533	31,929	23,636	31,000	(6,897)	(929)
TS 95 - Holden Epica	0	20,320	0	16,500	0	(3,820)
Health						
TS 272 - Berlina V6 Auto Sportwagon	28,606	31,494	20,454	26,000	(8,152)	(5,494)
Laptop - Doctor	0	0	0	0	0	0
Recreation & Culture						
TS 5020 Toro Z597 Ride On Mower	8,184	9,274	12,727	12,000	4,543	2,726
Transport						
TS 5001 MWS Nissan Patrol	37,860	39,623	35,000	31,000	(2,860)	(8,623)
TS 5003 Isuzu Tipper Truck	0	79,844	0	82,000	0	2,156
TS 5011 Mitsubishi Triton Ute	9,885	10,700	10,637	15,000	752	4,300
	<u>115,068</u>	<u>223,184</u>	<u>102,454</u>	<u>213,500</u>	<u>(12,614)</u>	<u>(9,684)</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

21. INFORMATION ON BORROWINGS

(a) Debenture Repayments

Particulars	Principal 1-Jul-10 \$	New Loans		Principal Repayments		Principal 30-Jun-11		Interest Repayments	
		Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Health									
Loan 154 - Doctor's Surgery	72,173	0	0	16,278	16,279	55,895	55,895	4,612	4,628
Housing									
Loan 148 - 217 Williamson St	55,121	0	0	5,992	5,993	49,129	49,128	4,634	4,722
Loan 152 - Doctors House	20,195	0	0	20,195	20,194	0	0	469	840
Recreation & Culture									
Loan 156 - Swimming Pool Upgrade	129,071	0	0	11,519	11,519	117,552	117,552	6,610	6,795
Transport									
Loan 157 - Grader	240,000	0	0	18,018	18,018	221,982	221,982	14,197	14,578
Loan 158 - Bobcat	65,000	0	0	11,617	11,617	53,383	53,383	3,264	3,486
Loan 159 - Truck	0	0	90,000	0	0	0	90,000	0	0
	581,560	0	90,000	83,619	83,620	497,941	587,940	33,786	35,049

Loan 148 repayments are funded by lease income from 217 Williamson Street property.
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2010/11

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 159 - Truck	0	90,000	Unknown	Debenture	5	Unknown	Unknown	0	90,000	0

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011**

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent loan funds as at 30th June 2011 nor did it have any unspent loan funds as at 30th June 2010.

(d) Overdraft

No overdraft was utilised during the 2010/11 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

22. RATING INFORMATION - 2010/11 FINANCIAL YEAR

RATE TYPE		Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate												
GRV - Residential		11.5530	205	1,330,141	152,650	385	0	153,035	152,650	0	0	152,650
GRV - Mining		11.5530	1	110,000	12,708	13,906	0	26,614	12,708	0	0	12,708
UV - Rural		1.1203	186	101,422,000	1,136,231	(27)	(6)	1,136,198	1,136,420	0	0	1,136,420
UV - Mining		1.1203	5	197,515	2,213	95	(250)	2,058	2,213	0	0	2,213
Sub-Totals			397	103,059,656	1,303,802	14,359	(256)	1,317,905	1,303,991	0	0	1,303,991
Minimum Rates		Minimum \$										
GRV - Residential		340	22	8,840	7,480	(101)	0	7,379	7,480	0	0	7,480
UV - Rural		275	15	218,500	4,125	228	0	4,353	4,125	0	0	4,125
UV - Mining		300	18	141,135	5,400	818	0	6,218	5,400	0	0	5,400
UV - Arrino Town		275	5	4,200	1,375	0	0	1,375	1,375	0	0	1,375
Sub-Totals			60	372,675	18,380	945	0	19,325	18,380	0	0	18,380
Ex-Gratia Rates												
Specified Area Rate (refer note 23)												
								1,337,230				1,322,371
								4,755				0
								0				0
Discounts (refer note 25)												
Movement in Excess Rates												
								1,341,985				1,322,371
								(83,244)				(81,000)
								617				0
Totals								1,259,358				1,241,371

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

23. SPECIFIED AREA RATE - 2010/11 FINANCIAL YEAR

No specified area rates were levied during 2010/11.

24. SERVICE CHARGES - 2010/11 FINANCIAL YEAR

No service charges were imposed during 2010/11.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2010/11 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	7.50%	83,244	81,000
			83,244	81,000

A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice.

26. INTEREST CHARGES AND INSTALMENTS - 2010/11 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		8,210	5,200
Interest on Instalments Plan	5.50%		1,089	100
Interest on ESL	11.00%		137	0
Charges on Instalment Plan		10	1,130	1,150
			10,566	6,450

Ratepayers had the option of paying rates in four equal instalments, due on 8th October 2010, 8th December 2010, 11th February 2011 and 7th May 2011. Administration charges and interest applied for the final three instalments.

	2011 \$	2010 \$
27. FEES & CHARGES		
Governance	9,528	11,425
General Purpose Funding	5,130	5,150
Law, Order, Public Safety	2,401	829
Health	731,881	600,817
Education and Welfare	0	0
Housing	141,407	136,164
Community Amenities	106,354	63,740
Recreation and Culture	20,288	4,545
Transport	0	0
Economic Services	50,434	3,230
Other Property and Services	49,736	30,655
	<u>1,117,159</u>	<u>856,555</u>

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

28. GRANT REVENUE	2011	2010
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,125,321	1,128,499
Non-Operating Grants, Subsidies and Contributions	508,361	626,350
	<u>1,633,682</u>	<u>1,754,849</u>
By Program:		
Governance	64,989	117,235
General Purpose Funding	820,036	765,809
Law, Order, Public Safety	38,092	19,338
Health	52,632	108,039
Education and Welfare	3,710	4,245
Housing	18,503	4,241
Community Amenities	31,581	0
Recreation and Culture	58,008	68,665
Transport	520,508	633,009
Economic Services	23,338	22,256
Other Property and Services	2,285	12,012
	<u>1,633,682</u>	<u>1,754,849</u>

29. COUNCILLORS' REMUNERATION	2011	2011	2010
	\$	Budget	\$
		\$	
The following fees, expenses and allowances were paid to council members and/or the president.			
Meeting Fees	13,560	10,560	10,004
President's Allowance	5,000	5,000	5,000
Deputy President's Allowance	1,250	1,250	1,250
Travelling Expenses	811	500	0
	<u>20,621</u>	<u>17,310</u>	<u>16,254</u>

30. EMPLOYEE NUMBERS	2011	2010
The number of full-time equivalent employees at balance date	<u>21</u>	<u>21</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2010/11 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2010/11 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT

	Carrying Value		Fair Value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,296,486	1,508,411	1,296,486	1,508,411
Receivables	184,918	189,789	184,918	189,789
	<u>1,481,404</u>	<u>1,698,200</u>	<u>1,481,404</u>	<u>1,698,200</u>
Financial Liabilities				
Payables	446,209	419,112	446,209	419,112
Borrowings	497,941	581,560	499,268	580,949
	<u>944,150</u>	<u>1,000,672</u>	<u>945,477</u>	<u>1,000,061</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

	30-Jun-11 \$	30-Jun-10 \$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	14,408	18,867
- Income Statement	14,408	18,867

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

	30-Jun-11	30-Jun-10
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	82.52%	83.75%
- Overdue	17.48%	16.25%

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

2011

Payables	446,209	0	0	446,209	446,209
Borrowings	97,632	333,613	196,037	627,282	497,941
	<u>543,841</u>	<u>333,613</u>	<u>196,037</u>	<u>1,073,491</u>	<u>944,150</u>

2010

Payables	419,112	0	0	419,112	419,112
Borrowings	118,667	369,622	257,660	745,949	581,560
	<u>537,779</u>	<u>369,622</u>	<u>257,660</u>	<u>1,165,061</u>	<u>1,000,672</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2011

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Borrowings (Continued)

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

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

						Weighted Average Effective Interest Rate %	
	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$
Year Ended 30 June 2011							
Borrowings							
Fixed Rate							
Debentures	0	0	55,895	53,383	0	388,663	497,941
Weighted Average Effective Interest Rate			6.79%	5.55%		6.22%	6.21%
Year Ended 30 June 2010							
Borrowings							
Fixed Rate							
Debentures	20,195	0	0	72,173	65,000	424,192	581,560
Weighted Average Effective Interest Rate	5.52%			6.79%	5.55%	6.23%	6.20%

12 December 2011

Mr Chris Jackson
Chief Executive Officer
Shire of Three Springs
132 Railway Road
THREE SPRINGS WA 6519

Dear Chris

**AUDIT OF SHIRE OF THREE SPRINGS
FOR THE YEAR ENDED 30TH JUNE 2011**

We advise that we have completed the audit of your Shire for the year ended 30th June 2011 and enclose our Audit Report and a copy of the Management Report.

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

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

Please contact us if you have any queries.

Yours sincerely


GREG GODWIN
PARTNER

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF THREE SPRINGS**

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Three Springs, which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

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

- a giving a true and fair view of the Shire's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF THREE SPRINGS (Continued)**

Other Matters

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

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS

Date: 12 December 2011
Perth, WA


GREG GODWIN
PARTNER

12 December 2011

The Shire President
Shire of Three Springs
132 Railway Road
THREE SPRINGS WA 6519

Dear Cr Treloar

MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2011

We advise that we have completed our audit procedures for the year ended 30 June 2011 and enclose our Audit Report.

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

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

Disposal of assets

A non-exempt asset was disposed of without going through a public auction, a public tender or a local public notice process.

To help ensure compliance with Section 3.58 of the Act, Council should only dispose of non-exempt property through a public auction, by calling a public tender or by giving local public notice of the proposed disposition.

Electronic Funds Transfer

Controls over the loading of EFT payments and changing of staff and creditors banking details are not adequately segregated.

To help ensure each step in the process is reviewed by a person independent of the preparation process, we recommend all steps in the process be reviewed and conflicting steps be adequately segregated where practicable.

Revaluation of Roads

Council has elected to maintain road assets carried at a previously revalued amount at the amount of that previous valuation.

This is an accepted practice, however, we would take this opportunity to remind Council revaluations are to be made with sufficient regularity to ensure the carrying value of each asset does not differ materially from its fair value at each reporting date.

Given the last revaluation of Council's road infrastructure occurred in 2005, we would suggest fair values be reviewed in the forthcoming financial year (2011/12) as a matter of priority. This may require a review of the current system of recording road assets to ensure this information is readily obtainable.

This will help ensure Council complies with the requirement of the standard and its assets are fairly stated.

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We noted no other matters we wish to bring to your attention.

Uncorrected Misstatements

We advise there were no uncorrected misstatement noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

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

Yours faithfully


GREG GODWIN
PARTNER