



2011/2012 Annual Report



**SHIRE OF
THREE SPRINGS**



**AGENDA FOR THE
ANNUAL ELECTOR'S MEETING
TO BE HELD ON
WEDNESDAY
6TH FEBRUARY 2013**



WILDFLOWER COUNTRY

Contents

Introduction

Agenda/Notice of Meeting.....	3
Minutes of Annual Elector's Meeting.....	4
President's Report.....	7
Chief Executive Officer's Report.....	9

Annual Financial Statements

Statement by Chief Executive Officer

Income Statement by Nature/Type

Income Statement by Program

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Rate Setting Statement

Notes to Financial Statements

Independent Audit Report

Management Audit Report



ANNUAL GENERAL MEETING OF ELECTORS
COUNCIL CHAMBERS, RAILWAY ROAD, THREE SPRINGS
WEDNESDAY 6th FEBRUARY, 2013 COMMENCING AT 7.00PM

Order of Business

1. Recording of Attendance
2. Apologies
3. Confirmation of Minutes of Annual Electors Meeting held 7th February, 2012
4. Business Arising
5. **2011 / 2012 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.

Sylvia Yandle
ACTING CHIEF EXECUTIVE OFFICER



**MINUTES OF THE ANNUAL MEETING OF ELECTORS HELD TUESDAY 7th
FEBRUARY 2012**

**IN THE COUNCIL CHAMBERS, RAILWAY ROAD THREE SPRINGS COMMENCING AT
7.01PM**

1. Present

AA Treloar	Shire President
TM Ogden	Councillor
RW Hunt	Councillor
SS Boonstra	Councillor
GW Turley	Councillor
CG Jackson	Chief Executive Officer
GD Middleton	Deputy CEO
T Brandy	EHO/Building Surveyor

Electors:

Kath Ogden, Marilyn Boonstra, Jack Keogh

2. Apologies

Cr RN Hebiton, Cr AE Thomas, Robyn Hunt

3. Confirmation of Minutes

MOVED Cr Sean Boonstra, SECONDED Kath Ogden that the Minutes of the Annual Meeting of Electors held on the 14th March, 2011 be confirmed as a true and correct record.

CARRIED

4. Business Arising

5. 2010/2011 Annual Report

5.1 President's Report

Cr Annie Treloar presented the President's Report for the Financial Year 2010/2011.

MOVED Kath Ogden, SECONDED Cr Robert Hunt that the President's Report as presented be accepted.

CARRIED

5.2 Chief Executive Officer's Report

Chris Jackson presented the Chief Executive Officer's report for the Financial Year 2010/2011.

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

CARRIED

a. Statutory Reports

The Statutory Reports for the year ended 30th June, 2011 was presented.

MOVED Kath Ogden, SECONDED Cr Gary Turley that the Statutory Reports as presented be accepted.

CARRIED

b. Annual Financial Report

The Annual Financial Report for the year ended 30th June, 2011 was presented.

MOVED Cr Gary Turley, SECONDED Cr Mal Ogden that the Annual Financial Report for the year ended 30th June, 2011 is accepted as presented.

CARRIED

c. Auditor's Report

The Auditor's Report on the Annual Financial Statement for the year ended 30th June 2011 was presented.

MOVED Kath Ogden, SECONDED Cr Sean Boonstra that the Auditor's Report for the year ended 30th June, 2011 is accepted as presented.

CARRIED

6. General Business

- 6.1 Jack Keogh asked if the proposal by Morawa to build the North Midlands Solar Thermal Project was still on the agenda. The CEO explained that Council has committed to supporting the project via allocation of Regional CLGF funding but deferred its commitment at this stage. Mr. Keogh advised that he had written to the Shire of Morawa but hadn't received a response. The CEO advised he was disappointed that Mr. Keogh's letter hadn't received a

response and that he would contact the Shire of Morawa's, CEO, Mr. Gavin Treasure.

- 6.2 Kath Ogden asked if the Shire has a ranger and where he was based. The CEO advised that the Shire Ranger was based out of Geraldton and worked for a number of Shires. The ranger usually visited monthly but would also undertake ad hoc visits where required.

7. Closure

There being no further business the Chairperson, Cr Annie Treloar declared the meeting closed at 7.30pm.

These Minutes were confirmed at the Annual Meeting of Electors held on 6th February, 2013

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

Date: 6th February, 2013

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, 2011 through to 30th June, 2012.

Councillors

There have been several changes in Councillors during 2011/2012. The October 2011 election process was contested by six applicants with three new Councillors being elected. Councillors Anthony Thomas, Robert Hunt and Mal Ogden were elected. Councillor Richard Thorpe retired from Council.

Your Councillors

President

Cr Annie Treloar

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

Deputy President

Cr Neil Hebiton

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

Councillors

Cr Sean Boonstra

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

Cr Robert Hunt

PO Box 2
Three Springs WA 6519
Ph: (08) 9954 1155
Fax: (08) 9954 1159

Cr Mal Ogden

PO Box 145
Three Springs WA 6519
Ph: (08) 9954 1686

G.W. (Gary) Turley

PO Box 90
Three Springs WA 6519
Ph: (08) 99541 190
Fax: (08) 99541 190

Cr Anthony Thomas

PO Box 86
Three Springs WA 6519
Ph: (08) 9954 1155
Fax: (08) 9954 1159

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, Wildflower Country 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 the 2011/2012 Financial Year. 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 the Medical Centre which in turn has benefited the entire community by having Dr Raj in residence. With health being a priority the retention of a medical practitioner and the provision of dental care in the district are a priority for Council. The completion of the new dental facility will further enhance our ability to deliver a quality health service to the entire community.

At the year's end, Council finished in a strong financial position with a surplus of \$1,175,401 plus restricted funds of \$694,480.

There were a number of major projects such as the Swimming Pool Upgrade, Pavilion Upgrade, Dental Surgery Development, and the new CEO Residence that were commenced during the 2011/2012 financial year and will be completed during 2012/2013. Council will ensure that whenever possible all avenues will be explored to attract grant funding to ensure major infrastructure works continue.

Finally I would like to acknowledge and thank our staff for the hard work and dedication they exhibit on a daily basis on behalf of the Community, Councillors and myself as Shire President.

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 2011/12 financial year.

Rates

The 2011/12 Annual Budget was adopted by Council in August 2012 with an increase in rate revenue of 7.2%. 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 2012 the balance in the Reserve Accounts was \$461,735 which is a significant increase from the 2010/2011 balance of \$176,769.

Housing & Development	\$67,660
Plant	\$113,555
Leave	\$107,822
Joint Venture Housing	\$103,146
Swimming Pool	\$30,331
Gravel	\$39,221
TOTAL	\$461,735

Audit

The Annual Audit was conducted during November 2012 and a copy of the report is included within this Annual Report. The Management Report reflects the sound governance structure that has been implemented and is a credit to the administration staff.

Building Works in the Shire of Three Springs

Building activity value has improved from last year, during 2011-2012 there were 9 building approvals to the value \$500,985,000 compared with \$9,002,538 for 2010-2011.

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

TYPE	NUMBER	VALUE
New dwellings	3	\$892,000
Additions to dwellings	1	\$ 26,000
Garages / Patios / Fences etc	4	\$ 67,000
Commercial / Industrial	1	\$500,000,000
TOTAL	9	\$ 500,985,000

Demolition licences

One

Town Planning

Due to the mining operations and associated activity within the Shire 8 Planning Approval issued for the 2011-2012 financial year.

Gas Turbine Plant	1
Development Assessment Panel	1
Extractive Industry Licences	4
Iron Ore Loading Area	1
Commercial Applications	1

Building Maintenance Programme

Council's building maintenance program 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 6 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). Each year Councils Disability Access and Inclusion Plan is tabled in parliament as part of the Disability Services Commission aggregated report.

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 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.

Townsite Expansion Strategy

Through Grant funding by the Department of Planning and Infrastructure, Councils Planning Consultant is preparing an expansion strategy for the future growth and needs for the Shire.

Development Assessment Panel

In February Council was in receipt of its first DAPS application for a Gas Fired Turbine Station to be built on lot 25 Three Springs/Perenjori Road. Crs Treloar and Boonsra

represented Council on the decision making process that was held in Geraldton. All planning applications in excess of \$7,000,000 are required to be assessed by the DAPs panel.

Three Springs Waste Facility

Karara Mining Ltd easement over Councils waste facility is nearing completion with a further 4.85 ha being approved by the Department of Environment for future use. This gives the life expectancy for site to around 20 years.

Proposed Residential lots – Gooch Street.

Council is in negotiations with Landcorp to develop 20 residential lots to the N/E of Gooch Street, the lots are required for the expected future growth due to various projects including the ERM plant and associated support growth for the Shire of Three Springs.

Camp/Village Site

Council has signed a Heads of Agreement with Ausco for the provision of camp/village style accommodation at the Glyde Street site. All infrastructure located at the site is owned by the Shire and it is considered an extremely valuable asset. The site is currently mothballed but as projects ramp up it will be available to accommodate construction workers.

Dental Surgery

The Three Springs Dental Clinic building was completed and operational at a total cost of \$613,000. Funding was provided through state and federal grants however Shire funding contributed \$215,000 towards the project.

Three Springs Class 1 Aquatic Facility

Major improvements were commenced during the year. The work has subsequently completed during the 2012/13 financial year with costs in excess of \$775,000.

Staff are now working on improvements for the facade and future plans include a multi-use facility including change rooms, toilets, showers, canteen and office/first aid room plus playground facilities.

Sports Pavillion

Major upgrade to the Sports Pavilion has been completed at a cost of around \$164,000.

Oval Tanks Replacement

The two water tanks at the oval were replaced due to the deteriorating nature of the existing. The tanks are capable of holding 500,000 litres of Effluent/water for oval reticulation.

Recycling Shed

Through various grant applications a cardboard recycling shed has been built on lot 230 Water Road. The shed will house a baler for the purposes of baling cardboard and possibly plastics to be transported to a recycling depot at a later date.

Shire of Three Springs Eco tourism Caravan Park

Council has decided to utilise lot 167 Mayrhofer Street as a short stay caravan park, this leaves the original site (lot 232 Water Street) to be used as a nature walk for caravaners due to its abundance of rare orchids and wild life on the lot.

Major Projects

Major road projects during the year included works on Dudawa Road Primer Seal SLK 7.9 to 14.0 \$259,296, Arrino South Road Gravel Sheet Primer Seal to 7 metre \$90,087, Arrino West Road Widen and Primer Seal to 7 metre \$193,803 with a total construction spend of \$822,145. Road maintenance for the year totalled \$420,217.

During 2011/2012 Council obtained loan funding for the purchase of a Western Star Prime Move, Side Tipper and Caterpillar 928ZQ Loader.

Building improvements and maintenance totalled \$324,587, Waste disposal and collection \$53,980, swimming pool maintenance \$131,813 and parks, gardens and sporting amenities \$166,710.

STAFF

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

Chris Jackson
Rebecca Bussenchutt
Rhonda Blackburn
Kevin O'Connor (Acting CEO)

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

Lee Langley
Barb Thomas
Grant Middleton
Rick Ryan
Corey Quartermaine

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 2011/12 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 2011/2012 that was entitled to a salary of between \$120,000 and \$130,000.

CONCLUSION

With exciting potential developments such as the ERM power station, the Extension Hill project, and the Jack Hills Expansion Power Project and the Northern 320KVA Expansion Project the Shire has the opportunity to grow and develop:

Council has many challenges to ensure its long term sustainability including the continued building of cash backed reserves and the attraction and retention of quality staff. There were a number of key projects commenced during 2011/2012 that will improve the overall amenities of the town and surrounding area. As a Council we need to continue to work on improving roads, parks and gardens, the swimming pool and other important services and facilities within current funding constraints.

I wish the Shire of Three Springs all the best for 2012/2013 and beyond.

GRANT MIDDLETON
CHIEF EXECUTIVE OFFICER

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 53
Independent Audit Report	54 to 55

SHIRE OF THREE SPRINGS

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2012

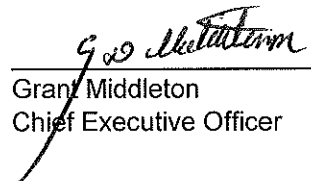
LOCAL GOVERNMENT ACT 1995

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 2012 are in my opinion properly drawn up to present fairly the financial position of the Shire of Three Springs at 30th June 2012 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 22nd day of NOVEMBER 2012



Grant Middleton
Chief Executive Officer

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Rates	22	1,419,464	1,409,904	1,259,358
Operating Grants, Subsidies and Contributions	28	1,634,629	867,781	1,125,321
Fees and Charges	27	973,892	997,600	1,117,159
Interest Earnings	2(a)	69,051	78,047	75,879
Other Revenue		23,938	358,650	22,762
		<u>4,120,974</u>	<u>3,711,982</u>	<u>3,600,479</u>
Expenses				
Employee Costs		(1,697,396)	(1,540,330)	(1,287,420)
Materials and Contracts		(1,135,008)	(1,303,021)	(1,026,774)
Utility Charges		(158,556)	(150,000)	(129,575)
Depreciation on Non-Current Assets	2(a)	(760,810)	(711,649)	(734,462)
Interest Expenses	2(a)	(33,778)	(26,000)	(33,786)
Insurance Expenses		(119,071)	(85,012)	(114,817)
Other Expenditure		(52,145)	(92,391)	(44,241)
		<u>(3,956,764)</u>	<u>(3,908,403)</u>	<u>(3,371,075)</u>
		164,210	(196,421)	229,404
 Non-Operating Grants, Subsidies and Contributions	28	1,512,457	2,940,304	508,361
Profit on Asset Disposals	20	80,343	60,000	5,295
Loss on Asset Disposal	20	<u>(8,919)</u>	<u>(19,000)</u>	<u>(17,909)</u>
 Net Result		1,748,091	2,784,883	725,151
 Other Comprehensive Income		0	0	0
 Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
 Total Comprehensive Income		<u><u>1,748,091</u></u>	<u><u>2,784,883</u></u>	<u><u>725,151</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 2012

	NOTE	2012 \$	2012 Budget \$	2011 \$
Revenue				
Governance		40,361	55,376	78,301
General Purpose Funding		2,563,145	2,108,208	2,152,201
Law, Order, Public Safety		163,520	168,622	22,218
Health		767,499	774,933	784,512
Education and Welfare		6,800	3,600	3,710
Housing		147,656	163,750	163,146
Community Amenities		90,244	215,454	106,752
Recreation and Culture		62,402	66,250	78,539
Transport		95,742	54,389	78,338
Economic Services		151,693	64,900	74,422
Other Property and Services		31,912	36,500	58,340
	2(a)	<u>4,120,974</u>	<u>3,711,982</u>	<u>3,600,479</u>
Expenses				
Governance		(331,631)	(295,604)	(239,215)
General Purpose Funding		(36,122)	(20,251)	(29,259)
Law, Order, Public Safety		(258,350)	(240,485)	(94,124)
Health		(985,170)	(864,740)	(1,020,947)
Education and Welfare		(9,400)	(5,000)	(1,130)
Housing		(292,606)	(352,194)	(261,457)
Community Amenities		(173,393)	(367,260)	(137,325)
Recreation and Culture		(527,697)	(529,004)	(513,340)
Transport		(1,160,812)	(1,062,729)	(885,884)
Economic Services		(124,272)	(118,179)	(102,326)
Other Property and Services		(23,533)	(26,957)	(52,282)
	2(a)	<u>(3,922,986)</u>	<u>(3,882,403)</u>	<u>(3,337,289)</u>
Finance Costs				
Health		(690)	(3,500)	(4,612)
Housing		(4,068)	(3,000)	(5,103)
Recreation and Culture		(5,954)	(2,500)	(6,610)
Transport		(23,066)	(17,000)	(17,461)
	2(a)	<u>(33,778)</u>	<u>(26,000)</u>	<u>(33,786)</u>
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		0	0	18,276
Health		425,713	439,684	0
Education and Welfare		18,000	0	0
Housing		235,996	235,996	0
Community Amenities		125,000	0	31,565
Recreation and Culture		450,184	738,175	0
Transport		257,564	1,526,449	458,520
		<u>1,512,457</u>	<u>2,940,304</u>	<u>508,361</u>
Profit/(Loss) on Disposal of Assets				
Governance		(6,195)	(10,000)	(6,897)
Health		(2,724)	(9,000)	(8,152)
Housing		9	2,000	0
Recreation & Culture		0	0	4,543
Transport		80,334	58,000	(2,108)
		<u>71,424</u>	<u>41,000</u>	<u>(12,614)</u>
Net Result		<u>1,748,091</u>	<u>2,784,883</u>	<u>725,151</u>
Other Comprehensive Income		0	0	0
Total Other Comprehensive Income		<u>0</u>	<u>0</u>	<u>0</u>
Total Comprehensive Income		<u><u>1,748,091</u></u>	<u><u>2,784,883</u></u>	<u><u>725,151</u></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 2012**

	NOTE	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,175,401	1,296,486
Trade and Other Receivables	4	636,729	178,074
Inventories	5	15,628	34,402
TOTAL CURRENT ASSETS		<u>1,827,758</u>	<u>1,508,962</u>
NON-CURRENT ASSETS			
Other Receivables	4	10,077	6,844
Land Held for Re-sale	5	8,000	8,000
Property, Plant and Equipment	6	5,439,442	4,377,779
Infrastructure	7	19,199,278	18,657,303
TOTAL NON-CURRENT ASSETS		<u>24,656,797</u>	<u>23,049,926</u>
TOTAL ASSETS		<u>26,484,555</u>	<u>24,558,888</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	304,035	446,209
Long Term Borrowings	9	120,612	67,483
Provisions	10	151,748	107,388
TOTAL CURRENT LIABILITIES		<u>576,395</u>	<u>621,080</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	637,637	430,458
Provisions	10	28,198	13,116
TOTAL NON-CURRENT LIABILITIES		<u>665,835</u>	<u>443,574</u>
TOTAL LIABILITIES		<u>1,242,230</u>	<u>1,064,654</u>
NET ASSETS		<u>25,242,325</u>	<u>23,494,234</u>
EQUITY			
Retained Surplus		23,433,639	21,970,514
Reserves - Cash Backed	11	461,735	176,769
Reserves - Asset Revaluation	12	1,346,951	1,346,951
TOTAL EQUITY		<u>25,242,325</u>	<u>23,494,234</u>

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 2012**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	ASSET REVALUATION RESERVE \$	TOTAL EQUITY \$
Balance as at 1 July 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
Net Result		1,748,091	0	0	1,748,091
Total Other Comprehensive Income		0	0	0	0
Reserve Transfers		(284,966)	284,966	0	0
Balance as at 30 June 2012		23,433,639	461,735	1,346,951	25,242,325

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 2012**

	NOTE	2012 \$	2012 Budget \$	2011 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,413,772	1,417,138	1,252,418
Operating Grants, Subsidies and Contributions		1,634,629	867,781	1,125,321
Fees and Charges		448,648	997,600	1,169,594
Interest Earnings		69,051	72,300	75,879
Goods and Services Tax		88,469	160,000	269,125
Other Revenue		23,938	428,371	22,762
		<u>3,678,507</u>	<u>3,943,190</u>	<u>3,915,099</u>
Payments				
Employee Costs		(1,655,792)	(1,540,330)	(1,304,490)
Materials and Contracts		(1,246,591)	(921,767)	(1,007,938)
Utility Charges		(158,556)	(150,000)	(129,575)
Insurance Expenses		(119,071)	(26,000)	(114,817)
Interest expenses		(27,738)	(85,012)	(34,938)
Goods and Services Tax		(19,441)	(160,000)	(309,749)
Other Expenditure		(52,145)	(92,391)	(44,241)
		<u>(3,279,334)</u>	<u>(2,975,500)</u>	<u>(2,945,748)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>399,173</u>	<u>967,690</u>	<u>969,351</u>
Cash Flows from Investing Activities				
Payments for Development of Land Held for Resale		0	0	0
Payments for Purchase of Property, Plant & Equipment		(1,599,343)	(2,199,256)	(290,227)
Payments for Construction of Infrastructure		(913,089)	(2,167,624)	(1,418,245)
Non-Operating Grants, Subsidies and Contributions		1,512,457	2,940,304	508,361
Proceeds from Sale of Plant & Equipment		219,408	198,775	102,454
Net Cash Provided By (Used In) Investing Activities		<u>(780,567)</u>	<u>(1,227,801)</u>	<u>(1,097,657)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(148,572)	(93,721)	(83,619)
Proceeds from New Debentures		408,881	240,000	0
Net Cash Provided By (Used In) Financing Activities		<u>260,309</u>	<u>146,279</u>	<u>(83,619)</u>
Net Increase (Decrease) in Cash Held		<u>(121,085)</u>	<u>(113,832)</u>	<u>(211,925)</u>
Cash at Beginning of Year		1,296,486	1,405,041	1,508,411
Cash and Cash Equivalents at the End of the Year	13(a)	<u>1,175,401</u>	<u>1,291,209</u>	<u>1,296,486</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 2012**

	NOTE	2012 Actual \$	2012 Budget \$	2011 Actual \$
Revenue				
Governance		40,361	55,376	78,301
General Purpose Funding		1,143,680	698,304	892,843
Law, Order, Public Safety		163,520	168,622	40,494
Health		1,193,212	1,214,617	784,512
Education and Welfare		24,800	3,600	3,710
Housing		383,661	401,746	163,146
Community Amenities		215,244	215,454	138,317
Recreation and Culture		512,586	804,425	83,082
Transport		433,640	1,638,838	537,610
Economic Services		151,693	64,900	74,422
Other Property and Services		31,913	36,500	58,340
		<u>4,294,310</u>	<u>5,302,382</u>	<u>2,854,777</u>
Expenses				
Governance		(337,826)	(295,604)	(246,112)
General Purpose Funding		(36,122)	(30,251)	(29,259)
Law, Order, Public Safety		(258,350)	(240,484)	(94,124)
Health		(988,582)	(877,240)	(1,033,711)
Education and Welfare		(9,401)	(5,000)	(1,130)
Housing		(296,675)	(355,194)	(266,560)
Community Amenities		(173,393)	(367,260)	(137,325)
Recreation and Culture		(533,652)	(531,504)	(519,950)
Transport		(1,183,877)	(1,079,729)	(906,205)
Economic Services		(124,272)	(118,179)	(102,326)
Other Property and Services		(23,533)	(26,958)	(52,282)
		<u>(3,965,683)</u>	<u>(3,927,403)</u>	<u>(3,388,984)</u>
Net Result Excluding Rates		328,627	1,374,979	(534,207)
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	20	(71,424)	(41,000)	12,614
Movement in Accrued Interest		0	0	(1,152)
Movement in Accrued Salaries and Wages		0	0	998
Movement in Deferred Pensioner Rates (Non-Current)		(3,233)	0	(1,918)
Movement in Employee Benefit Provisions (Non-Current)		59,442	0	(22,343)
Depreciation and Amortisation on Assets	2(a)	760,810	711,649	734,462
Rounding Adjustment		0	0	(3)
Capital Expenditure and Revenue				
Purchase Land and Buildings		(877,291)	(1,956,256)	(35,430)
Purchase Infrastructure Assets - Roads		(784,941)	(2,015,883)	(1,298,846)
Purchase Plant and Equipment		(575,150)	(34,000)	(35,368)
Purchase Motor Vehicles		(113,450)	(171,000)	(177,062)
Purchase Furniture and Equipment		(33,452)	(38,000)	(42,367)
Purchase Infrastructure Assets - Footpaths		(24,424)	(23,640)	0
Purchase Infrastructure - Airfields		(29,146)	(40,101)	0
Purchase Infrastructure - Parks		(74,578)	(88,000)	(119,399)
Proceeds from Disposal of Assets	20	219,408	198,775	102,454
Repayment of Debentures	21(a)	(148,573)	(93,721)	(83,619)
Proceeds from New Debentures	21	408,881	240,000	0
Self-Supporting Loan Principal Income				
Transfers to Reserves (Restricted Assets)	11	(284,966)	(864,440)	(8,533)
Transfers from Reserves (Restricted Assets)	11	0	0	0
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	885,982	1,430,734	1,172,139
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	1,061,986	0	921,778
Amount Required to be Raised from Rates	22(a)	<u>(1,419,464)</u>	<u>(1,409,904)</u>	<u>(1,259,358)</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 2012**

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.

Except for cash flow and rate setting information, 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 these financial statements.

(c) Goods and Services Tax

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

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 in the statement of financial position.

(e) Trade and Other Receivables

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

(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 overheads.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

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 recognised against revaluation surplus directly in equity. All other decreases are recognised as profit or loss.

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.

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 (excluding freehold land) 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed Assets (Continued)

Depreciation of Non-Current Assets (Continued)

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 asphalt surfaces	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

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.

Capitalisation Threshold

Expenditure on items of equipment under \$2,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

(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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

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.

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 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 where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

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

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

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.

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

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

(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 profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

Derecognition

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

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) 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 impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

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

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

(j) Trade and Other Payables

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

(k) Employee Benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for the benefits. In determining the liability, consideration is given to the employee wage increases and the probability the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity matching the expected timing of cash flows.

(l) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(m) 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; 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

(o) 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.

(p) 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 2012**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(r) 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.

(s) Rounding Off Figures

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

(t) Comparative Figures

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

(u) 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 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Council for the annual reporting period ending 30 June 2012.

Council's assessment of these new and amended standards and interpretations is set out below:

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 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.
(iii) 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).

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(iv) 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 & 1052]	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.
(v) 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, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	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).
(vi) AASB 2010 - 8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	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 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(vii) 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	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 2011 - 2 Amendments to Australian Accounting Standards - Arising from the Trans-Tasman Consequence Project - Reduced Disclosure Requirements. IAASB 101 & 10541	May 2011	01 July 2013	
AASB 2011 - 3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to ABS GFS manual and related Amendments. IAASB 10491	May 2011	01 July 2012	
AASB 2011 - 6 Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, 128 & 131]	July 2011	01 July 2013	

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
<p>(viii) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]</p>	August 2011	01 January 2013	<p>Nil - None of these, except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supercede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.</p>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(ix) AASB 13 - Fair Value Measurement, AASB 2011 - 8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	September 2011	01 January 2013	AASB 13 defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with fair value hierarchy. AASB 13 also requires enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value. AASB 13 will have particular relevance to the process of the Council adopting fair value methodology in relation to its fixed assets as mandated from 1 July 2012. Apart from the changes in value in relation to assets to be revalued (which are mandated by legislation and not changes to the standard) it is not expected to significantly impact the Council as the framework embodied in AASB 13 does not differ significantly from that which is present in existing standards. The amendments to the legislation requires the phasing in of fair value in relation to fixed assets over the three years from 1 July 2012. It is not possible to estimate the likely amount of any revaluations.
(x) AASB 2011 - 9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title and Topic	Issued	Applicable (*)	Impact
(xi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(xii) AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	September 2011	01 July 2013	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 2011 – 12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	November 2011	01 January 2013	
AASB 2011 – 13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	December 2011	01 July 2012	

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 2012

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 124
AASB 1054
AASB 2009 - 12
AASB 2009 - 14
AASB 2010 - 4
AASB 2010 - 5
AASB 2010 - 6
AASB 2010 - 9
AASB 2011 - 1

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 2012

2. REVENUE AND EXPENSES	2012	2011
	\$	\$
(a) Net Result		
The Net Result includes:		
(i) Charging as an Expense:		
Auditors Remuneration		
- Audit	20,950	11,550
- Other Services		
Depreciation		
Buildings	96,357	94,373
Furniture and Equipment	56,226	54,481
Plant and Equipment	198,326	195,555
Motor Vehicles	38,787	33,454
Roads	354,957	347,343
Airfields	981	528
Footpaths	2,729	2,729
Parks and Ovals	12,447	5,999
	<u>760,810</u>	<u>734,462</u>
Interest Expenses (Finance Costs)		
Finance Lease Charges		
Debentures (<i>refer Note 21(a)</i>)	33,778	33,786
	<u>33,778</u>	<u>33,786</u>
Rental Charges		
- Operating Leases	30,629	16,035
	<u>30,629</u>	<u>16,035</u>
(ii) Crediting as Revenue:	2012	2012
	\$	Budget
		\$
Interest Earnings		
Investments		
- Reserve Funds	9,967	13,000
- Other Funds	47,092	54,000
Other Interest Revenue (<i>refer note 26</i>)	11,992	9,436
	<u>69,051</u>	<u>78,047</u>
		<u>75,879</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

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 2012**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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 2012

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance (*) 1-Jul-10 \$	Received (+) 2010/11 \$	Expended (#) 2010/11 \$	Closing Balance (*) 30-Jun-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance 30-Jun-12 \$
Grant/Contribution	Function/ Activity							
Grants Commission Bridge Funding	Transport	206,668	0	0	206,668	0	(206,668)	0
Roads to Recovery - Bridge Funding	Transport	598,238	0	(598,238)	0	0	0	0
Roads to Recovery	Transport	0	226,962	0	226,962	0	(154,000)	72,962
	Other Law, Order &							
Office of Crime Prevention	Public Safety Recreation & Culture	10,000	0	0	10,000	0	0	10,000
Office of Crime Prevention	Culture	10,000	0	0	10,000	0	0	10,000
RLCIP Grant	Recreation & Culture	30,000	30,000	(32,000)	28,000	0	(28,000)	0
CLGF - Forward Capital Works Plan	Governance	26,004	0	(5,692)	20,312	0	(20,312)	0
Royalties For Regions Grant- Swimming Pool	Recreation & Culture	0	0	0	0	312,939	(33,000)	279,939
Mid West Development Commission - Childcare Centre Project	Welfare	0	0	0	0	18,000	0	18,000
CLGF - Construction of Staff Housing	Housing	0	0	0	0	235,996	(26,634)	209,362
Mid West Regional Grant Scheme - ADSL2	Community Amenities	0	0	0	0	45,000	0	45,000
Dept of Planning - Local Planning Scheme Review	Community Amenities	0	0	0	0	40,000	(40,000)	0
Dept of Planning - Townsite Expansion Strategy	Community Amenities	0	0	0	0	40,000	(8,228)	31,772
WA Police - Community Crime Prevention	Recreation & Culture	0	0	0	0	17,245	0	17,245
Total		880,910	256,962	(635,930)	501,942	709,180	(516,842)	694,280

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

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 2012**

	2012 \$	2011 \$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	650	650
Cash on Hand - Municipal	713,016	1,119,067
Restricted Cash - Reserves	461,735	176,769
	<u>1,175,401</u>	<u>1,296,486</u>
 Cash on Hand - Municipal		
Unrestricted Cash	18,736	617,125
Restricted Cash	694,280	501,942
	<u>713,016</u>	<u>1,119,067</u>
 The following restrictions have been imposed by regulations or other externally imposed requirements:		
Leave Reserve	107,822	78,402
Plant Reserve	113,555	12,832
Housing and Development Reserve	67,660	16,717
Joint Venture Housing Reserve	103,146	50,310
Gravel Pit Reserve	39,221	13,462
Swimming Pool Rec Equipment Reserve	30,331	5,046
	<u>461,735</u>	<u>176,769</u>
 Other:		
Municipal Cash on Hand - Restricted		
Unspent Grants (refer Note 2(c))	694,280	501,942
	<u>694,280</u>	<u>501,942</u>
 4. TRADE AND OTHER RECEIVABLES		
Current		
Rates Outstanding	46,243	40,316
Sundry Debtors	608,699	85,396
GST Receivable	0	69,046
Provision for doubtful debts	(18,213)	(16,684)
	<u>636,729</u>	<u>178,074</u>
 Non-Current		
Rates Outstanding - Pensioners	10,077	6,844
	<u>10,077</u>	<u>6,844</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2011 \$
5. INVENTORIES		
Current		
Fuel	5,887	11,340
Medical Centre Stock	9,741	23,062
	<u>15,628</u>	<u>34,402</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	5,228,375	4,351,084
Less Accumulated Depreciation	(1,601,548)	(1,505,191)
	<u>3,626,827</u>	<u>2,845,893</u>
Furniture and Equipment - Cost	786,662	766,522
Less Accumulated Depreciation	(555,001)	(511,313)
	<u>231,661</u>	<u>255,209</u>
Plant and Equipment - Cost	2,526,396	2,318,905
Less Accumulated Depreciation	(1,231,642)	(1,309,309)
	<u>1,294,754</u>	<u>1,009,596</u>
Motor Vehicles - Cost	356,871	314,799
Less Accumulated Depreciation	(70,671)	(47,718)
	<u>286,200</u>	<u>267,081</u>
	<u>5,439,442</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 2012

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land & Buildings \$	Furniture & Equipment \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
Balance as at 1st July 2011	2,845,893	255,209	1,009,596	267,081	4,377,779
Additions	877,291	33,452	575,150	113,450	1,599,343
(Disposals)	0	(775)	(55,543)	(91,666)	(147,984)
Depreciation (Expense)	(96,357)	(56,226)	(198,326)	(38,787)	(389,696)
Balance as at 30th June 2012	<u>3,626,827</u>	<u>231,660</u>	<u>1,330,877</u>	<u>250,078</u>	<u>5,439,442</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
	\$	\$
7. INFRASTRUCTURE		
Roads - Management Valuation 2005	29,291,210	29,291,210
Roads - Cost	7,302,310	6,517,369
Less Accumulated Depreciation	<u>(17,895,976)</u>	<u>(17,541,019)</u>
	18,697,544	18,267,560
 Footpaths - Cost	 133,594	 109,169
Less Accumulated Depreciation	<u>(14,359)</u>	<u>(11,629)</u>
	119,235	97,540
 Airfield - Cost	 55,546	 26,400
Less Accumulated Depreciation	<u>(14,533)</u>	<u>(13,552)</u>
	41,013	12,848
 Parks & Ovals - Cost	 492,383	 417,805
	<u>(150,897)</u>	<u>(138,450)</u>
	341,486	279,355
	<u><u>19,199,278</u></u>	<u><u>18,657,303</u></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 also accords with AASB 116.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

7. INFRASTRUCTURE (Continued)

Movements in Carrying Amounts

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

	Roads \$	Footpaths \$	Drainage \$	Parks and Ovals \$	Total \$
Balance as at 1st July 2011	18,267,560	97,540	12,848	279,355	18,657,303
Additions	784,941	24,424	29,146	74,578	913,089
(Disposals)	(354,957)	(2,729)	(981)	(12,447)	(371,114)
Balance as at 30th June 2012	18,697,544	119,235	41,013	341,486	19,199,278

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	250,681	381,057
PAYG Liability	59	29,356
Accrued Interest on Debentures	14,100	8,060
Accrued Salaries and Wages	39,195	27,736
	<u>304,035</u>	<u>446,209</u>
9. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	<u>120,612</u>	<u>67,483</u>
	<u>120,612</u>	<u>67,483</u>
Non-Current		
Secured by Floating Charge		
Debentures	<u>637,637</u>	<u>430,458</u>
	<u>637,637</u>	<u>430,458</u>
Additional detail on borrowings is provided in Note 21.		
10. PROVISIONS		
Current		
Provision for Annual Leave	112,732	69,017
Provision for Long Service Leave	39,016	38,371
	<u>151,748</u>	<u>107,388</u>
Non-Current		
Provision for Long Service Leave	28,198	13,116
	<u>28,198</u>	<u>13,116</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 \$	2012 Budget \$	2011 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	78,402	78,402	74,617
Amount Set Aside / Transfer to Reserve	29,420	0	3,785
Amount Used / Transfer from Reserve	0	0	0
	<u>107,822</u>	<u>78,402</u>	<u>78,402</u>
(b) Plant Reserve			
Opening Balance	12,832	12,832	12,213
Amount Set Aside / Transfer to Reserve	100,723	864,440	619
Amount Used / Transfer from Reserve	0	0	0
	<u>113,555</u>	<u>877,272</u>	<u>12,832</u>
(c) Housing and Development Reserve			
Opening Balance	16,717	16,717	15,910
Amount Set Aside / Transfer to Reserve	50,943	0	807
Amount Used / Transfer from Reserve	0	0	0
	<u>67,660</u>	<u>16,717</u>	<u>16,717</u>
(d) Joint Venture Housing Reserve			
Opening Balance	50,310	50,310	47,881
Amount Set Aside / Transfer to Reserve	52,836	0	2,429
Amount Used / Transfer from Reserve	0	0	0
	<u>103,146</u>	<u>50,310</u>	<u>50,310</u>
(e) Gravel Pit Reserve			
Opening Balance	13,462	13,462	12,812
Amount Set Aside / Transfer to Reserve	25,759	0	650
Amount Used / Transfer from Reserve	0	0	0
	<u>39,221</u>	<u>13,462</u>	<u>13,462</u>
(f) Swimming Pool Rec Equipment Reserve			
Opening Balance	5,046	5,046	4,803
Amount Set Aside / Transfer to Reserve	25,285	0	243
Amount Used / Transfer from Reserve	0	0	0
	<u>30,331</u>	<u>5,046</u>	<u>5,046</u>
TOTAL CASH BACKED RESERVES	<u>461,735</u>	<u>1,041,209</u>	<u>176,769</u>

All of the reserve accounts are supported by money held in financial institutions and match the amounts 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 2012**

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:

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 Equipment 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

**2012
\$**

**2011
\$**

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

(a) **Roads**

Balance as at 1st July 2011	1,346,951	1,346,951
Revaluation Increment	0	0
Revaluation Decrement	0	0
Balance as at 30th June 2012	<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 2012

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2012 \$	2012 Budget \$	2011 \$
Cash and Cash Equivalents	<u>1,175,401</u>	<u>1,291,209</u>	<u>1,296,486</u>

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

Net Result	1,748,091	2,784,883	725,151
Depreciation	760,810	711,649	734,462
(Profit)/Loss on Sale of Asset	(71,424)	(41,000)	12,614
(Increase)/Decrease in Receivables	(461,889)	55,946	4,871
(Increase)/Decrease in Inventories	18,774	15,262	(4,140)
Increase/(Decrease) in Payables	(142,174)	381,254	27,097
Increase/(Decrease) in Employee Provisions	59,442	0	(22,343)
Grants/Contributions for the Development of Assets	<u>(1,512,457)</u>	<u>(2,940,304)</u>	<u>(508,361)</u>
Net Cash from Operating Activities	<u>399,173</u>	<u>967,690</u>	<u>969,351</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Bank Overdraft limit	0	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	14,000	5,000
Credit Card Balance at Balance Date	(663)	0
Total Amount of Credit Unused	<u>13,337</u>	<u>5,000</u>

Loan Facilities

Loan Facilities - Current	120,612	67,483
Loan Facilities - Non-Current	637,637	430,458
Total Facilities in Use at Balance Date	<u>758,249</u>	<u>497,941</u>

Unused Loan Facilities at Balance Date	<u>0</u>	<u>0</u>
---	----------	----------

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

14. CONTINGENT LIABILITIES

Council has no known contingent liabilities as at 30th June 2012

	2012	2011
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
There are no outstanding commitments as at 30th June 2012		
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Leased Commitments		
Ricoh - Photocopier		
Custom Fleet - Doctor's Vehicle		
SG Fleet - CESM Vehicle		
Payable:		
- not later than one year	27,589	16,360
- later than one year but not later than five years	53,415	14,644
	<u>81,004</u>	<u>31,004</u>
(c) Capital Expenditure Commitments		
Swimming Pool Upgrade	819,500	0
Staff Housing	350,521	0
	<u>1,170,021</u>	<u>0</u>

Swimming Pool Upgrade and Staff Housing (CEO Residence) projects will be completed and both payable in 2012/13 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

16. JOINT VENTURE

The Shire together with the Department of Housing and Works constructed 4 units for aged residents in 02/03, known as Kadathinni Units, Carter Street, Three Springs. Council's 22.34% equity in this development is included in Land and Buildings as follows:

	2012	2011
	\$	\$
Non-Current Assets		
Land and Buildings	168,239	168,239
Less: Accumulated Depreciation	<u>(34,859)</u>	<u>(29,593)</u>
	<u>133,380</u>	<u>138,646</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:

	2012	2011
	\$	\$
Non-Current Assets		
Land and Buildings	29,805	29,805
Less: Accumulated Depreciation	<u>(9,490)</u>	<u>(8,792)</u>
	<u>20,315</u>	<u>21,013</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

Governance	135,651	751,882
General Purpose Funding	53,980	47,160
Law, Order, Public Safety	114,778	137,740
Health	495,529	514,003
Education and Welfare	18,000	0
Housing	1,533,939	1,245,825
Community Amenities	102,461	109,747
Recreation and Culture	2,080,700	1,559,526
Transport	20,271,219	19,549,261
Economic Services	88,821	12,424
Other Property and Services	347,581	401,116
Unallocated	<u>1,241,896</u>	<u>230,204</u>
	<u>26,484,555</u>	<u>24,558,888</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011	2010
18. FINANCIAL RATIOS			
Current Ratio	1.43	1.53	1.24
Untied Cash to Unpaid Trade Creditors Ratio	0.14	1.51	1.22
Debt Ratio	0.05	0.04	0.05
Debt Service Ratio	0.04	0.03	0.02
Gross Debt to Revenue Ratio	0.18	0.14	0.17
Gross Debt to Economically Realisable Assets Ratio	0.10	0.08	0.09
Rate Coverage Ratio	0.25	0.31	0.29
Outstanding Rates Ratio	0.03	0.03	0.02

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
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 2012

19. TRUST FUNDS

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

	Balance 1-Jul-11 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-12 \$
Police Licensing	13,587	372,327	(384,013)	1,901
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	720	(480)	240
East Three Springs Catchment	2,014		0	2,014
BCITF Levy	0	1,014	(1,014)	0
BRB Levy	0	324	(324)	0
Deposits on Free Blocks	2,500	0	0	2,500
Housing Bonds	280	2,080	(2,080)	280
	<u>111,663</u>			<u>100,217</u>

20. DISPOSALS OF ASSETS - 2011/12 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						
Holden Epica	16,331	17,775	10,136	7,775	(6,195)	(10,000)
Health						
EHO Ford Ranger	25,585	25,000	23,636	16,000	(1,949)	(9,000)
Medical Centre Computer Server	775	0	0	0	(775)	0
Housing						
Maintenance Vehicle	13,627	13,000	13,636	15,000	9	2,000
Transport						
WM Vehicle		0	0	0	0	0
Isuzu Tipper Truck	56,072	60,000	75,000	80,000	18,928	20,000
Case Loader	35,594	42,000	85,000	80,000	49,406	38,000
Evertrans Truck Trailer	0	0	12,000	0	12,000	0
	<u>147,984</u>	<u>157,775</u>	<u>219,408</u>	<u>198,775</u>	<u>71,424</u>	<u>41,000</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-11 \$	New Loans \$	Principal Repayments		Principal 30-Jun-12		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Health								
Loan 154 - Doctor's Surgery	55,895	0	55,895	10,713	0	45,182	690	3,500
Housing								
Loan 148 - 217 Williamson St	49,129	0	49,128	17,000	0	32,128	4,068	3,000
Recreation & Culture								
Loan 156 - Swimming Pool Upgrade	117,552	0	12,139	18,313	105,413	99,240	5,954	2,500
Loan XXX - Swimming Pool	0	0			0			
Transport								
Loan 157 - Grader	221,982	0	19,139	29,047	202,843	192,935	12,881	14,000
Loan 158 - Bobcat	53,383	0	12,271	18,648	41,112	34,735	2,554	3,000
Loan 159 - Truck	0	408,881	0	0	408,881	0	7,631	0
	497,941	408,881	148,572	93,721	758,249	404,220	33,778	26,000

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

(b) New Debentures - 2011/12

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Loan 159 - Plant Swimming Pool Upgrade	408,881	0	WA Treasury	Debenture	10	53,366	5	408,881	0	0
	0	240,000	WA Treasury	Debenture	20			0	240,000	

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012**

21. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Debentures

Council had no unspent loan funds as at 30th June 2012 nor did it have any unspent loan funds as at 30th June 2011.

(d) Overdraft

No overdraft was utilised during the 2011/2012 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

(a) Rates

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	13	204	1,319,065	167,475	(846)	0	166,629	167,522	0	0	167,522
GRV - Mining	30	1	255,000	76,500	0	0	76,500	76,500	0	0	76,500
UV - Rural	1	185	99,956,500	1,229,281	(234)	0	1,229,047	1,226,966	0	0	1,226,966
UV - Mining	1	13	330,600	3,306	111	0	3,417	2,666	0	0	2,666
UV - Arrino Town	1	0	0	0	0	0	0	0	0	0	0
Sub-Totals	Minimum \$	403	101,861,165	1,476,562	(969)	0	1,475,593	1,473,654	0	0	1,473,654
Minimum Rates											
GRV - Residential	350	23	7,943	8,050	0	0	8,050	8,050	0	0	8,050
UV - Rural	300	16	227,600	4,800	0	0	4,800	4,800	0	0	4,800
UV - Mining	200	16	70,922	4,100	0	0	4,100	6,900	0	0	6,900
UV - Arrino Town	200	5	4,200	1,000	0	0	1,000	1,500	0	0	1,500
Sub-Totals		60	310,665	17,950	0	0	17,950	21,250	0	0	21,250
Ex-Gratia Rates											
Specified Area Rate (refer note 23)							1,493,543				1,494,904
							5,868				0
							0				0
Discounts (refer note 25)							1,499,411				1,494,904
Movement in Excess rates							(92,717)				(85,000)
Totals							12,770				0
							1,419,464				1,409,904

Disclosure: The 2011/12 rates were quashed by the SAT on 29th June 2012 and ministerial approval for the differential rates was received on 4th July 2012. A special meeting of Council was held 4th July 2012 to re-adopt 2011/12 budget and accept Minimum and Diffential rates imposed for 2011/12 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

22. RATING INFORMATION - 2011/12 FINANCIAL YEAR

	2012 (30 June 2012) Carried Forward	2012 Surplus/ (Deficit) \$	2011 (30 June 2011) Carried Forward) \$
(b) Information on Surplus/(Deficit) Brought Forward			
Surplus/(Deficit)	<u>1,061,986</u>	<u>885,982</u>	<u>921,778</u>
<u>Comprises:</u>			
Cash - Unrestricted	19,386	617,775	617,775
Cash - Restricted	694,280	501,942	501,942
Reserves - Restricted	461,735	176,769	176,769
Rates - Current	43,904	40,316	40,316
Sundry Debtors	608,699	83,458	83,458
ESL Debtors	2,338	1,938	1,938
Provision for Doubtful Debts	(18,213)	(16,684)	(16,684)
GST Receivable	0	88,485	88,485
Inventories			
- Fuel and Materials	15,628	34,402	34,402
	<u>1,827,757</u>	<u>1,528,401</u>	<u>1,528,401</u>
<u>Less:</u>			
Reserves - Restricted Cash	(461,735)	(176,769)	(176,769)
Sundry Creditors	(250,700)	(381,057)	(381,057)
GST Payable	18	(19,441)	(19,441)
PAYG/Withholding Tax Payable	0	(29,356)	(29,356)
Payroll Creditors	(59)	0	0
Accrued Interest on Debentures	(14,100)	(8,060)	0
Accrued Salaries and Wages	(39,195)	(27,736)	0
	<u>(765,771)</u>	<u>(465,650)</u>	<u>(429,854)</u>
Surplus/(Deficit)	<u>1,061,986</u>	<u>885,982</u>	<u>921,778</u>

Difference:

There is a difference between the Surplus/(Deficit) 1 July 2011 Brought Forward position used in the 2012 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2011 audited financial report due to accrued interest, salaries and wages being included in the Surplus/(Deficit).

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

23. SPECIFIED AREA RATE - 2011/12 FINANCIAL YEAR

No specified area rates were levied during 2011/2012.

24. SERVICE CHARGES - 2011/12 FINANCIAL YEAR

No service charges were imposed during 2011/2012.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2011/12 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	7.50%	92,717	85,000
			92,717	85,000

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 - 2011/12 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		10,706	10,947
Interest on Instalments Plan	5.50%		1,100	100
Interest on ESL	11.00%		186	0
Charges on Instalment Plan		10	930	1,150
			12,922	12,197

Ratepayers had the option of paying rates in four equal instalments, due on 22nd September 2011, 24th November 2011, 2nd February 2012 and 5th April 2012. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2012 \$	2011 \$
Governance	5,032	9,528
General Purpose Funding	4,930	5,130
Law, Order, Public Safety	1,413	2,401
Health	574,472	731,881
Education and Welfare	0	0
Housing	112,173	141,407
Community Amenities	90,119	106,354
Recreation and Culture	20,147	20,288
Transport	14,183	0
Economic Services	131,434	50,434
Other Property and Services	19,989	49,736
	<u>973,892</u>	<u>1,117,159</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 2012

28. GRANT REVENUE

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

	2012	2011
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions	1,634,629	1,125,321
Non-Operating Grants, Subsidies and Contributions	1,512,457	508,361
	<u>3,147,086</u>	<u>1,633,682</u>
By Program:		
Governance	30,909	64,989
General Purpose Funding	1,079,666	820,036
Law, Order, Public Safety	162,107	38,092
Health	618,741	52,632
Education and Welfare	24,800	3,710
Housing	267,700	18,503
Community Amenities	125,111	31,581
Recreation and Culture	492,155	58,008
Transport	324,203	520,508
Economic Services	19,500	23,338
Other Property and Services	2,194	2,285
	<u>3,147,086</u>	<u>1,633,682</u>

29. ELECTED MEMBERS REMUNERATION

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

	2012	2012	2011
	\$	Budget	\$
		\$	
Meeting Fees	11,820	11,250	13,560
President's Allowance	5,000	5,000	5,000
Deputy President's Allowance	1,250	1,250	1,250
Travelling Expenses	1,060	500	811
	<u>19,130</u>	<u>18,000</u>	<u>20,621</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

2012	2011
<u>22</u>	<u>21</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2011/12 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2011/12 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,175,401	1,296,486	1,175,401	1,296,486
Receivables	646,806	184,918	646,806	184,918
	<u>1,822,207</u>	<u>1,481,404</u>	<u>1,822,207</u>	<u>1,481,404</u>
Financial Liabilities				
Payables	304,036	446,209	304,036	446,209
Borrowings	758,249	497,941	758,249	499,268
	<u>1,062,285</u>	<u>944,150</u>	<u>1,062,285</u>	<u>945,477</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables – estimated to the carrying value which approximates net market value.
- Borrowings – estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2012	2011
	\$	\$
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	11,754	14,408
- Statement of Comprehensive Income	11,754	14,408

Notes:

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

Recent market volatility has seen large market movements for certain types of investments.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2012	2011
Percentage of Rates and Annual Charges		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
Percentage of Other Receivables		
- Current	99.75%	82.52%
- Overdue	0.25%	17.48%

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

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:

	<u>2012</u>					<u>2011</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$					
Payables	304,036	0	0	304,036	304,036					
Borrowings	0	578,827	377,207	956,034	758,249					
	<u>304,036</u>	<u>578,827</u>	<u>377,207</u>	<u>1,260,070</u>	<u>1,062,285</u>					
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>					

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2012

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables
Borrowings (Continued)

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. 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:

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:								
<u>Year Ended 30 June 2012</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	0	41,112	408,881	308,256	758,249	5.16%
Weighted Average								
Effective Interest Rate	0.00%	0.00%	0.00%	5.55%	4.59%	5.85%		
<u>Year Ended 30 June 2011</u>								
Borrowings								
Fixed Rate								
Debentures	0	0	55,895	53,383	0	388,663	497,941	6.21%
Weighted Average								
Effective Interest Rate	0.00%	0.00%	6.79%	5.55%	0.00%	6.22%		

22 November 2012

Mr Grant Middleton
Chief Executive Officer
Shire of Three Springs
132 Railway Road
THREE SPRINGS WA 6519

Dear Grant

**AUDIT OF SHIRE OF THREE SPRINGS
FOR THE YEAR ENDED 30TH JUNE 2012**

We advise that we have completed the audit of your Shire for the year ended 30th June 2012 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 2012, 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 Shire'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 Shire'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 2012 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)**

Report on Other Legal and Regulatory Requirements

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

- c) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- d) 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


GREG GODWIN
PARTNER

Date: 22 November 2012
Perth, WA

22 November 2012

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 2012

We advise that we have completed our audit procedures for the year ended 30 June 2012 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.

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 (2012/13) 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.

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

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au
w: www.uhyhn.com

An association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms.

UHY Haines Norton - ABN 87 345 233 205

Liability limited by a scheme approved under Professional Standards Legislation