



# ANNUAL REPORT 2015-2016



# President's Report 2015/2016

Ladies and Gentlemen, it is with pleasure I present my President's Report on the activities of the Shire of Three Springs for the financial year ended 30<sup>th</sup> June, 2016.

The October 2015 elections saw two new Councillors Jenny Lake and Chris Connaughton elected to Council replacing Annie Treloar and Gary Turley. I welcome Jenny and Chris to Council and thank Annie and Gary for their commitment during their term of office.

Elected members have represented Council on a number of organisations attending various meetings throughout the year. These include Northern Country Zone of WALGA, Mid West Regional Road Group, Wildflower Country Inc and Three Springs PACE. Also in their role as Councillors, they have attended and represented Council at a number of local functions and events.

The 2015/16 financial year has been a year of achievement with great outcomes for the Shire of Three Springs particularly some of the ones that I share a passion for including:-

- Commencement of "T" junction realignment of Nebru and Three Springs/Eneabba Road
- Annual Hospital Fete
- Unveiling of Armoured Personnel Carrier in conjunction with Three Springs/Arrino RSL Sub Branch
- Three Springs Wildflower Show and Art Exhibition
- Three Springs 330 Western Desert Races – this event won the 2016 WA Off Road Racing event of the year

The community does not function without volunteers to organise some of the above mentioned events. Three Springs is fortunate to have many volunteers who contribute and work with Council in many ways to promote Three Springs and I extend my sincere thanks to all of those volunteers for their contribution. Whether they belong to community committees, service or sporting organisations, volunteers play a vital role in ensuring Three Springs remains a strong and vibrant community.

Tourism is becoming a real focus for the region and the Shire is participating in implementing the "Midlands Way" project in conjunction with Wildflower Country Inc to promote the Wildflower Region. The project will assist Three Springs in building a positive reputation as being a welcoming attraction for tourists, particularly for those with caravans and campervans enjoying the Eco Park. The number of visitors using the Multi-Purpose building amenities increased dramatically in 2015/16 and the positive comments about the town and these facilities was pleasing.

A particular area of interest for the community is determining the capacity and local needs in regards to aged care. The local issues range from support services and accommodation to health services and emergency care, which are relevant to all levels of government (local, state and federal). With health being a high priority, the retention of a medical practitioner and dentist is important for the community and by Council providing excellent facilities for both Medical and Dental services this has been achieved.

The 2015/16 budget enabled Council to build on the planning practices adopted in prior year's, resulting in grant funding success, backing from government partners and relevant stakeholders to progress and complete a number of projects from our Strategic Community Plan and Corporate Business Plan. With the Shire's commitment to economic and social growth in this area we are mindful of the need to plan for the future and 2016 saw the commencement of incorporating Asset Management Plan and Long Term Financial Plan into Strategic Resource Plan over fifteen years from 2016 to 2031.

On behalf of electors and ratepayers, I would like to thank all Councillors, past and present for their effort and input during 2015/2016 financial year. Without their support and contribution Council would not be able to provide the high level of facilities and services to our community. My appreciation is also extended to Councillors' partners and families for their support which has allowed Councillors to dedicate their time to Council.

I am proud to serve the Shire of Three Springs as Shire President and wish to thank my fellow Councillors, the CEO and staff. I am very grateful for your support and enjoy both the collaboration and healthy debate that has made our Council very progressive.

Cr Anthony Thomas  
Shire President

### **Council for 2016/17**

#### **President**

Cr AEC (Anthony) Thomas  
PO Box 86  
Three Springs WA 6519  
Ph: 9954 1155  
Fax: 9954 1159

#### **Deputy President**

Cr RJ (Richard) Thorpe  
PO Box 235  
Three Springs WA 6519  
Ph: 0427 541116

#### **Councillors**

Cr RN (Neil) Hebiton  
PO Box 206  
Three Springs WA 6519  
Ph: 0427 449680

Cr RW (Robert) Hunt  
PO Box 2  
Three Springs WA 6519  
Ph: 9954 1190

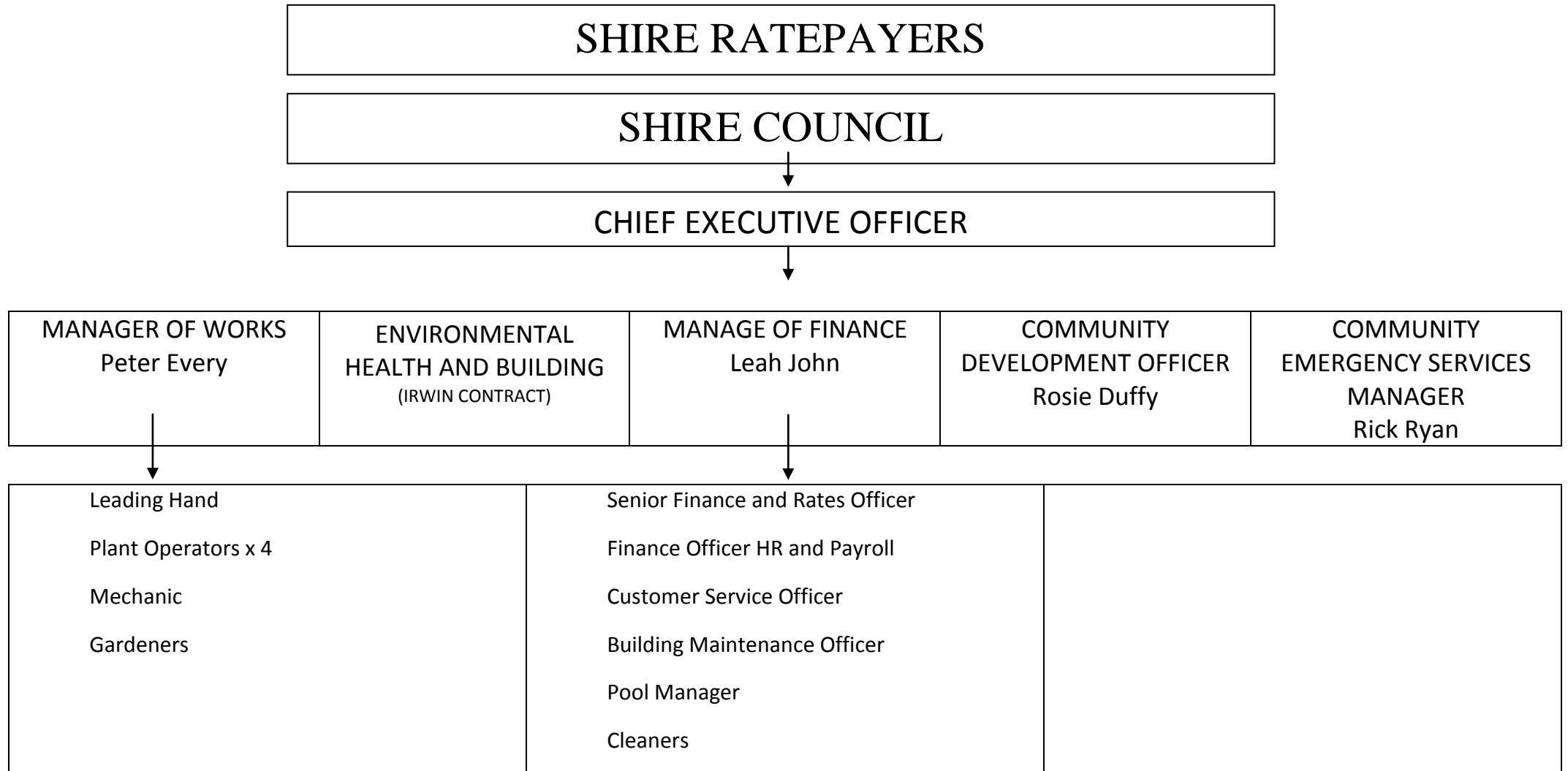
Cr CD (Chris) Lane  
PO Box 44  
Three Springs WA 6519  
Ph: 9954 5034

Cr JA (Jenny) Lake  
91 Railway Road  
Three Springs WA 6519  
Ph: 9954 1479

Cr CS (Chris) Connaughton  
PO Box 92  
Three Springs WA 6519  
Ph: 9954 7007

# SHIRE OF THREE SPRINGS ORGANISATIONAL STRUCTURE

30 JUNE 2016



# CHIEF EXECUTIVE OFFICER'S REPORT 2015/2016

## PRESIDENT, COUNCILLORS, ELECTORS AND COMMUNITY MEMBERS

I have pleasure in presenting the annual report for the 2015/2016 financial year. The reporting period saw continued activity in a number of projects including upgrades and renewal of Council's infrastructure.

This Annual Report presents the Shire of Three Springs financial statements and a summary of the work that has been achieved as a result of a real team effort from Councillors and all staff members during the 2015/2016 financial year. This is in line with our statutory and legislative requirements, our corporate goals, strategies and outcomes as outlined in the integrated forward planning and reporting documents.

The Shire has continued its redevelopment works as part of the overall long term business plan. Work commenced on realignment of "T" junction at intersection of Nebru and Three Springs/Eneabba road and along with gravel re-sheeting of a number of roads this has improved the Shire's rural road network. Key infrastructure projects include the construction of dual footpath in Hall and Maley Streets, second stage of town revitalisation program, upgrade of Community Hall kitchen and staff houses.

Each year new challenges arise and I thank the staff for their support and dedication over the past 12 months and commend them on their commitment and professionalism in their service to the community.

A brief summary on financials for the 2015/2016 year are:-

## RATES

The 2015/2016 Annual Budget was adopted by Council in September 2015 with an overall increase of 5% in rate revenue the total amount of rates raised was \$1,938,294, which was necessary to meet rising costs and offset the impact of reduced grant funding.

## RESERVE FUNDS

Cash backed Reserves and unspent grants as at 30th June 2016 amounted to \$1,395,039 made up as follows:-

• Leave Reserve	\$124,573
• Plant Reserve	\$131,198
• Housing and Development Reserve	\$ 78,172
• Joint Venture Housing Reserve	\$119,173
• Gravel Pit Reserve	\$ 45,315
• Swimming Pool Equipment Reserve	\$ 35,044
• Early Childhood Learning Centre	\$300,000
• Unspent grants	\$561,564

## **AUDIT**

The 2015/2016 Annual Audit was commenced in November 2016 and completed in December, the audit report forms part of the Annual Report.

Financially the Shire is in a reasonably financial position and the ratios in the report provide useful information when compared to industry and internal benchmarks and assist in identifying trends. Information relating to statutory ratios are disclosed in the financial report, they indicate how well the Shire performs in terms of servicing debt, replacing and maintaining its assets and tests the overall liquidity of the Shire. Every three years there is a reporting requirement to revalue assets to fair value, plant and equipment valuations were undertaken in the 2015/2016 financial year.

## **ENVIORNMENTAL HEALTH**

Shire of Irwin continued to provide service for delivery of Building, Environmental Health and Land Use Planning services in 2015/2016.

## **FOOD RECALLS**

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

## **BUILDING WORKS IN THE SHIRE OF THREE SPRINGS**

Building activity for 2015/2016 with 7 approvals

TYPE	NUMBER	VALUE
New dwellings	0	
Additions to dwellings	1	\$10,000
Garages / Patios / Fences etc	3	\$27,123
Commercial / Industrial	1	\$11,000
TOTAL	9	\$48,123

## **DEMOLITION FEES**

Nil

## **TOWN PLANNING**

There were no Planning Approval issued for the 2015/2016 financial year.



## **BUILDING MAINTENANCE PROGRAM**

The Shire employs a full time building maintenance officer. The maintenance program is to ensure Council property is maintained to a high standard with an amount of \$135,000 expended on residences during 2015/2016 year.

## **PUBLIC BUILDINGS**

The public buildings controlled by Council were maintained in conjunction with the building maintenance program. Amount expended on public buildings for 2015/2016 was \$257,500 this included maintenance and upgrades

## **SHIRE OF THREE SPRINGS TOWN PLANNING SCHEME NO 2**

The Three Springs Local Planning Scheme No.2 has finally been signed off by Minister and WAPC, gazettal of the Scheme will be undertaken in 2016/2017. The new scheme and townsite strategy will give Three Springs a platform for planned growth in the 2016 - 2031 Strategic Resource Plan.

## **THREE SPRINGS WASTE FACILITY**

The land transfer for the new Three Springs Waste Facility was finalised in 2015/2016, and the new site is expected to be operational in 2016/2017.

## **THREE SPRINGS AQUATIC CENTRE, SPORTS OVAL AND FACILITIES**

General maintenance has been carried out on Aquatic Centre and Sports Facilities throughout the year along with usual maintenance for grassed areas; oval and hockey field. A new Netball Spectator shed was built in conjunction with Netball Club and funding from the Shire.

## **SHIRE OF THREE SPRINGS ECO TOURISM CARAVAN PARK**

The Short Stay Caravan Park has been used extensively throughout the year, in particular during the Wildflower Season. Offering the site as "free stay" has proved very popular and majority of users have made positive comments about the facilities and Three Springs town in general

## **MAJOR CAPITAL WORKS**

During 2015/2016 the following capital works projects were either completed or commenced

Town Revitalisation Project	\$ 79,795
Heritage Trail	\$ 50,020
Arrino Community Garden	\$ 4,918
Para Mobility Pool Steps	\$ 6,565
Laptops, Computers, Server Upgrade	\$ 27,416
Netball Spectator Shed	\$ 20,000

Nissan Pathfinder Vehicle	\$ 32,180
Toyota RAV 4	\$ 27,110
Caterpillar 12M Grader	\$279,780
Case IH Tractor	\$ 86,982
Installation of Two Way Radios	\$ 45,818
Road program – Gravel Resheeting & Nebru/Three Springs/Eneabba Road	\$736,246
Road Maintenance	\$287,093
WANDRRA roadwork	\$527,532
Hall and Maley Street Footpaths	\$ 55,234

Capital Road program and WANDRRA road works were funded through Main Roads Regional Road Group, Roads to Recovery, Natural Disaster Recovery Program and Shire of Three Springs.

Mid West Development Commission, Lotterywest, Department of Transport, Department of Local Government and Communities, Department of Infrastructure and Regional Development and Department of Sport and Recreation are to be acknowledged for their contributions towards:

Town Revitalisation project	\$40,235
Heritage Trail	\$21,450
Dual Footpath/Cycleway	\$26,000
Arrino Garden	\$19,734
Swimming Pool	\$32,000

## **STAFF**

I would like to acknowledge the contribution that Charles Strahan made to the Shire of Three Springs during his 31 years' service with the Shire. To be employed by the one employer for that length of time is something that is not seen often in today's workplace. On behalf of Three Springs Community, congratulations Charles and well done on your commitment to the Shire over those years.

In 2015/2016 resignations were received from the following:-

Kirsten Smith	Jane Morris	Charles Strahan
Shane Collie	Shannon Davis	Philip Lamprey
John Treloar	Murray Brooke	Jessica Kelly

Shire of Three Springs welcomed the following staff in 2015/2016:-

Ronald Martin	Jason Stoeckel	Gloria Webb
John Treloar	Jessica Kelly	Leah John
Murray Brooke	Rosie Duffy	Deborah Webb
Tanya O'Donnell		



## **EMPLOYEE REMUNERATION**

The Shire had one employee during 2015/2016 that was entitled to a salary of between \$120,000 and \$130,000.

## **GOVERNANCE AND STATUTORY REPORTING STANDARDS**

Local Government is governed by a number of Acts and Regulations including the following Compliance and Statutory Reporting activities required for our annual reporting processes and accountability;

## **INTEGRATED PLANNING AND REPORTING**

All local Governments are required to plan for the future under Section 5.56 (1) of the Local Government Act 1995 with minimum requirement of the plans is the development of a Strategic Community Plan and a Corporate Business Plan. During 2016 Council commenced the process of incorporating Asset Management Plan and Long Term Financial into a Strategic Resource Plan for the period 2016 – 2031.

The Shire of Three Springs 10+ Year Strategic Community Plan was adopted in May 2012 and as part of the Integrated Strategic Planning framework a four year Corporate Business Plan and Integrated Workforce Plans were adopted by Council in June 2013.

The Corporate Business Plan represents the views, needs and future plans for the community, these plans are addressed each financial year in the annual budget process.

Funds were transferred to a Reserve account for the Early Childhood Learning Centre and an application for grant funding was submitted to Mid-West Development Commission early in October 2016 to assist with this project. It is anticipated that funding will also be sourced through other entities during 2016/2017 financial year to leverage further funds for this worthwhile project.

Both the Pathways and Roads programs continued during 2015/2016, however Regional Aged Care Unit Project, Cemetery redevelopment and Gooch Street subdivision did not proceed and will be reassessed when the Strategic Community Plan and Corporate Business Plan are fully reviewed in 2016/2017.

Prior to adopting the fifteen year Strategic Resource plan, which will incorporate the Asset Management and Long Term Financial Plan, consultation sessions will be held to engage the community in the overall process.

The Integrated Workforce Plan addresses the workforce needs of the Shire, it also aims to build capacity and resilience and ensure Council has workforce to deliver operations and projects in the future.

## **FREEDOM OF INFORMATION (FOI) Statement (Freedom of Information Act 2003)**

Council meets regularly on a monthly basis (except for the month of January) with a seven (7) Councillor Membership, to make decisions relating to Policy, Statutory and Planning directions of the Shire. All meetings are open to the public and the dates, times and venues are advertised annually as public information for the Community. Council maintains a number of records and registers and nominated documents can be inspected free of charge upon application to the Office of Council located at 132 Midlands Road, Three Springs during normal business hours.

The Shire of Three Springs has a requirement to comply with the Freedom of Information Act. The Freedom of Information Statement stand-alone document is available on Council website [www.threesprings.wa.gov.au](http://www.threesprings.wa.gov.au).

During the 2015/2016 no applications were received for information under the terms of this legislation.

### **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, while 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.

During the 2015/2016 Shire of Three Springs had no Public Interest Disclosures.

### **NATIONAL COMPETITION POLICY (NCP)**

In 1995 the Council of Australian Government entered into a number of agreements known as the National Competition Policy. The policy is a whole of Government approach to bring about reform in the public sector to encourage Government to become more competitive.

Local Government will mainly be affected where it operates significant business activities that compete or could compete with private sector business. Local Government will also be impacted where its local laws unnecessarily affect competition.

Local Government is required to comply with certain policies with the National Competition Policy Statement and report on progress in connection with Competitive Neutrality Principles and review of Local Laws.

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.

## 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, next review due 2016.

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 and the Plan also applies to Elected Members, Contractors and, Organisations performing outsources services on behalf of the shire.

A review of Shire of Three Springs recordkeeping processes and practices described in the RKP have changed and therefore an amendment to the RKP is required. The date that the amended RKP will be submitted to the State Records Office has been confirmed as Friday 1st December 2017.

## **DISABILITY ACCESS AND INCLUSION PLAN OUTCOMES**

Council adopted a DAIP in June 2007 for implementation in July 2007; this was reviewed and updated in 2015 with the inclusion outcome 7.

The seven desired outcomes of this Disability Access and Inclusion Plan are:

1. People with disabilities have the same opportunities as other people to access the services of, and any events organised by, the relevant public authority (The Shire of Three Springs).
2. People with disabilities have the same opportunities as other people to access the buildings and other facilities of the relevant public authority.
3. People with disabilities receive information from the relevant public authority in a format that will enable them to access the information as readily as other people are able to access it.
4. People with disabilities receive the same level and quality of service from the staff of the relevant public authority.
5. People with disabilities have the same opportunities as other people to make complaints to the relevant public authority.
6. People with disabilities have the same opportunities as other people to participate in any public consultation by the relevant public authority.
7. People with disability have the same opportunities as other people to obtain and maintain employment with a public authority.

Each year Council's Disability Access and Inclusion Plan is tabled in parliament as part of the Disability Services Commission aggregated report.

## **CONCLUSION**

In conclusion my thanks go to Councillors and staff for their assistance, guidance and co-operation during the 2015/2016 year. Three Springs faces many challenges ahead in implementing projects included in the Strategic Community Plan and Corporate Business Plan, however with the support of Council and committed staff, I am sure these goals will be achieved. I wish the Shire of Three Springs all the best for 2016/2017.

**SYLVIA YANDLE**  
**CHIEF EXECUTIVE OFFICER**

**SHIRE OF THREE SPRINGS**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9
Independent Auditor's Report	54
Supplementary Ratio Information	56

Principal place of business:  
132 Railway Rd  
Three Springs WA 6519

**SHIRE OF THREE SPRINGS  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

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

**STATEMENT BY CHIEF EXECUTIVE OFFICER**

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 21ST day of DECEMBER 2016



---

Sylvia Yandle  
Chief Executive Officer



**SHIRE OF THREE SPRINGS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>				
Rates	22	1,938,294	1,941,865	1,854,124
Operating grants, subsidies and contributions	29	1,123,199	1,105,191	1,839,544
Fees and charges	28	252,341	285,745	260,845
Interest earnings	2(a)	51,239	49,110	52,842
Other revenue	2(a)	60,990	32,500	70,705
		<u>3,426,063</u>	<u>3,414,411</u>	<u>4,078,060</u>
<b>Expenses</b>				
Employee costs		(918,757)	(1,056,097)	(1,077,496)
Materials and contracts		(1,103,306)	(1,079,836)	(633,036)
Utility charges		(204,216)	(172,150)	(186,817)
Depreciation on non-current assets	2(a)	(1,641,000)	(895,500)	(1,662,033)
Interest expenses	2(a)	(22,242)	(33,199)	(34,517)
Insurance expenses		(162,917)	(163,531)	(153,465)
Other expenditure		(40,767)	(34,000)	(20,732)
		<u>(4,093,205)</u>	<u>(3,434,313)</u>	<u>(3,768,096)</u>
		(667,142)	(19,902)	309,964
Non-operating grants, subsidies and contributions	29	1,136,462	1,772,229	1,078,646
Profit on asset disposals	20	12,951	16,800	0
(Loss) on asset disposals	20	(65,001)	(75,800)	(61,672)
Loss on revaluation of Fixed Assets		0	0	(139,956)
<b>Net result</b>		<u><b>417,270</b></u>	<u><b>1,693,327</b></u>	<u><b>1,186,982</b></u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	358,637	0	181,566
<b>Total other comprehensive income</b>		<u><b>358,637</b></u>	<u><b>0</b></u>	<u><b>181,566</b></u>
<b>Total comprehensive income</b>		<u><u><b>775,907</b></u></u>	<u><u><b>1,693,327</b></u></u>	<u><u><b>1,368,548</b></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 2016**

	NOTE	2016 \$	2016 Budget \$	2015 \$
<b>Revenue</b>	2(a)			
Governance		23,668	25,800	78,620
General purpose funding		2,449,401	2,448,644	3,314,858
Law, order, public safety		148,148	158,062	153,532
Health		24,001	21,560	24,889
Education and welfare		750	1,500	96,289
Housing		122,643	106,920	109,624
Community amenities		93,321	85,200	78,289
Recreation and culture		75,173	47,095	47,761
Transport		420,724	444,930	108,436
Economic services		11,621	6,700	6,898
Other property and services		56,613	68,000	58,864
		<u>3,426,063</u>	<u>3,414,411</u>	<u>4,078,060</u>
<b>Expenses</b>	2(a)			
Governance		(215,130)	(242,463)	(221,222)
General purpose funding		(26,744)	(30,648)	(18,570)
Law, order, public safety		(275,024)	(296,362)	(290,687)
Health		(232,191)	(221,411)	(213,443)
Education and welfare		(9,830)	(30,000)	(90,611)
Housing		(319,338)	(342,240)	(325,898)
Community amenities		(191,969)	(203,357)	(163,086)
Recreation and culture		(909,694)	(883,264)	(902,409)
Transport		(1,754,029)	(981,324)	(1,379,266)
Economic services		(86,741)	(119,461)	(76,346)
Other property and services		(50,273)	(50,583)	(52,041)
		<u>(4,070,963)</u>	<u>(3,401,113)</u>	<u>(3,733,579)</u>
<b>Finance costs</b>	2(a)			
Governance		0	(7,800)	0
General purpose funding		0	0	(2,779)
Recreation and culture		(9,972)	(10,257)	(11,833)
Transport		<u>(12,270)</u>	<u>(15,143)</u>	<u>(19,905)</u>
		<u>(22,242)</u>	<u>(33,200)</u>	<u>(34,517)</u>
		<u>(667,142)</u>	<u>(19,902)</u>	<u>309,964</u>
Non-operating grants, subsidies and contributions	29	1,136,462	1,772,229	1,078,646
Profit on disposal of assets	20	12,951	16,800	0
(Loss) on disposal of assets	20	(65,001)	(75,800)	(61,672)
Loss on revaluation of Fixed Assets		0	0	(139,956)
<b>Net result</b>		<u><b>417,270</b></u>	<u><b>1,693,327</b></u>	<u><b>1,186,982</b></u>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	358,637	0	181,566
<b>Total other comprehensive income</b>		<u><b>358,637</b></u>	<u><b>0</b></u>	<u><b>181,566</b></u>
<b>Total comprehensive income</b>		<u><u><b>775,907</b></u></u>	<u><u><b>1,693,327</b></u></u>	<u><u><b>1,368,548</b></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 2016**

	NOTE	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,853,610	1,568,756
Trade and other receivables	4	457,548	113,947
Inventories	5	11,436	7,358
<b>TOTAL CURRENT ASSETS</b>		<u>2,322,594</u>	<u>1,690,061</u>
<b>NON-CURRENT ASSETS</b>			
Other receivables	4	18,227	16,089
Property, plant and equipment	6	14,879,184	14,962,935
Infrastructure	7	35,083,467	34,952,085
<b>TOTAL NON-CURRENT ASSETS</b>		<u>49,980,878</u>	<u>49,931,109</u>
<b>TOTAL ASSETS</b>		<u>52,303,472</u>	<u>51,621,170</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	150,184	113,547
Current portion of long term borrowings	9	149,072	142,098
Provisions	10	117,875	106,669
<b>TOTAL CURRENT LIABILITIES</b>		<u>417,131</u>	<u>362,314</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	9	269,793	418,865
Provisions	10	51,232	50,582
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>321,025</u>	<u>469,447</u>
<b>TOTAL LIABILITIES</b>		<u>738,156</u>	<u>831,761</u>
<b>NET ASSETS</b>		<u>51,565,316</u>	<u>50,789,409</u>
<b>EQUITY</b>			
Retained surplus		26,027,172	25,924,955
Reserves - cash backed	11	833,475	518,422
Revaluation surplus	12	24,704,669	24,346,032
<b>TOTAL EQUITY</b>		<u>51,565,316</u>	<u>50,789,409</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 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2014</b>		<b>24,759,172</b>	<b>497,223</b>	<b>24,164,466</b>	<b>49,420,861</b>
Comprehensive income					
Net result		1,186,982	0	0	1,186,982
Changes on revaluation of assets	12	0	0	181,566	181,566
Total comprehensive income		1,186,982	0	181,566	1,368,548
Transfers from/(to) reserves		(21,199)	21,199	0	0
<b>Balance as at 30 June 2015</b>		<b>25,924,955</b>	<b>518,422</b>	<b>24,346,032</b>	<b>50,789,409</b>
Comprehensive income					
Net result		417,270	0	0	417,270
Changes on revaluation of assets	12	0	0	358,637	358,637
Total comprehensive income		417,270	0	358,637	775,907
Transfers from/(to) reserves		(315,053)	315,053	0	0
<b>Balance as at 30 June 2016</b>		<b>26,027,172</b>	<b>833,475</b>	<b>24,704,669</b>	<b>51,565,316</b>

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 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Rates		1,947,071	1,921,865	1,835,365
Operating grants, subsidies and contributions		765,922	1,101,191	1,839,544
Fees and charges		252,341	285,745	260,845
Interest earnings		51,239	49,110	52,842
Goods and services tax		252,231	0	201,234
Other revenue		60,990	32,000	70,705
		<u>3,329,794</u>	<u>3,389,911</u>	<u>4,260,535</u>
<b>Payments</b>				
Employee costs		(898,558)	(1,029,397)	(1,136,095)
Materials and contracts		(1,075,933)	(1,053,836)	(784,422)
Utility charges		(204,216)	(172,150)	(186,817)
Interest expenses		(25,399)	(25,206)	(36,171)
Insurance expenses		(162,917)	(163,531)	(153,465)
Goods and services tax		(249,470)	0	(204,991)
Other expenditure		(40,767)	(31,000)	(20,730)
		<u>(2,657,260)</u>	<u>(2,475,120)</u>	<u>(2,522,691)</u>
<b>Net cash provided by (used in) operating activities</b>	13(b)	<u>672,534</u>	<u>914,791</u>	<u>1,737,844</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for purchase of property, plant & equipment		(658,518)	(1,595,645)	(1,554,857)
Payments for construction of infrastructure		(864,677)	(1,856,703)	(886,955)
Non-operating grants, subsidies and contributions		1,136,462	1,772,229	1,078,646
Proceeds from sale of fixed assets		141,151	150,200	143,964
<b>Net cash provided by (used in) investment activities</b>		<u>(245,582)</u>	<u>(1,529,919)</u>	<u>(1,219,202)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of debentures		(142,098)	(142,098)	(149,917)
<b>Net cash provided by (used in) financing activities</b>		<u>(142,098)</u>	<u>(142,098)</u>	<u>(149,917)</u>
<b>Net increase (decrease) in cash held</b>		284,854	(757,226)	368,725
Cash at beginning of year		1,568,756	2,166,227	1,200,031
<b>Cash and cash equivalents at the end of the year</b>	13(a)	<u><u>1,853,610</u></u>	<u><u>1,409,001</u></u>	<u><u>1,568,756</u></u>

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

**SHIRE OF THREE SPRINGS  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
<b>Net current assets at start of financial year - surplus/(deficit)</b>		<u>1,072,482</u> 1,072,482	<u>1,119,700</u> 1,119,700	<u>478,691</u> 478,691
<b>Revenue from operating activities (excluding rates)</b>				
Governance		23,668	25,800	78,620
General purpose funding		511,107	506,779	1,460,734
Law, order, public safety		148,148	158,062	153,532
Health		24,001	21,560	24,889
Education and welfare		750	1,500	96,289
Housing		122,643	106,920	109,624
Community amenities		93,321	85,200	78,289
Recreation and culture		75,173	47,095	47,761
Transport		433,675	461,730	108,436
Economic services		11,621	6,700	6,898
Other property and services		<u>56,613</u>	<u>68,000</u>	<u>58,864</u>
		1,500,720	1,489,346	2,223,936
<b>Expenditure from operating activities</b>				
Governance		(221,528)	(258,063)	(224,110)
General purpose funding		(26,744)	(30,648)	(21,349)
Law, order, public safety		(275,024)	(296,362)	(327,910)
Health		(242,345)	(228,911)	(213,443)
Education and welfare		(9,830)	(30,000)	(90,611)
Housing		(319,338)	(342,240)	(325,898)
Community amenities		(191,969)	(203,357)	(163,086)
Recreation and culture		(919,666)	(893,521)	(1,054,198)
Transport		(1,814,748)	(1,056,967)	(1,420,728)
Economic services		(86,741)	(119,461)	(76,346)
Other property and services		<u>(50,273)</u>	<u>(50,584)</u>	<u>(52,038)</u>
		(4,158,206)	(3,510,114)	(3,969,717)
<b>Operating activities excluded from budget</b>				
(Profit) on disposal of assets	20	(12,951)	(16,800)	0
Loss on disposal of assets	20	65,001	75,800	61,672
Loss on Revaluation of Fixed Assets		0	0	139,956
Movement in deferred pensioner rates (non-current)		(2,138)	0	(1,615)
Movement in Leave Reserve (Added back)		3,514	0	4,950
Movement in employee benefit provisions (non-current)		650	300	8,771
Depreciation and amortisation on assets	2(a)	<u>1,641,000</u>	<u>895,500</u>	<u>1,662,033</u>
<b>Amount attributable to operating activities</b>		110,072	53,732	608,677
<b>INVESTING ACTIVITIES</b>				
Non-operating grants, subsidies and contributions		1,136,462	1,772,229	1,078,646
Proceeds from disposal of assets	20	141,151	150,200	143,964
Purchase of property, plant and equipment	6(b)	(658,518)	(1,575,645)	(1,554,858)
Purchase and construction of infrastructure	7(b)	<u>(864,677)</u>	<u>(1,876,702)</u>	<u>(886,955)</u>
<b>Amount attributable to investing activities</b>		(245,582)	(1,529,918)	(1,219,203)
<b>FINANCING ACTIVITIES</b>				
Repayment of debentures	21(a)	(142,098)	(142,098)	(149,917)
Transfers to reserves (restricted assets)	11	<u>(315,053)</u>	<u>(434,600)</u>	<u>(21,199)</u>
<b>Amount attributable to financing activities</b>		(457,151)	(576,698)	(171,116)
<b>Surplus(deficiency) before general rates</b>		<u>(592,661)</u>	<u>(2,052,884)</u>	<u>(781,642)</u>
<b>Total amount raised from general rates</b>	22	<u>1,938,294</u>	<u>1,941,865</u>	<u>1,854,124</u>
<b>Net current assets at June 30 c/fwd - surplus/(deficit)</b>	23	<u><u>1,345,633</u></u>	<u><u>(111,019)</u></u>	<u><u>1,072,482</u></u>

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



**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

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

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

**Critical accounting estimates**

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

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

**The local government reporting entity**

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19 to these financial statements.

**(b) Goods and Services Tax (GST)**

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

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

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

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

**(c) Cash and Cash Equivalents**

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

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Trade and Other Receivables**

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

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

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

**(e) Inventories**

***General***

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

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

***Land held for sale***

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

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

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

**(f) Fixed Assets**

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

***Mandatory requirement to revalue non-current assets***

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

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

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

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

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Land under control***

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

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

***Initial recognition and measurement between mandatory revaluation dates***

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

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

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

***Revaluation***

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

***Land under roads***

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

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

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

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

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***Depreciation***

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

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

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

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

Buildings	5 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	10 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 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 in the period in which they arise.

***Capitalisation threshold***

Expenditure on items of equipment under \$5000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

***Fair value hierarchy***

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

**Level 1**

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

**Level 2**

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

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

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

***Valuation techniques***

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

**Market approach**

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Income approach**

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

**Cost approach**

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

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

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

**(h) Financial Instruments**

***Initial recognition and measurement***

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

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

***Classification and subsequent measurement***

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

Amortised cost is calculated as:

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

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



**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Classification and subsequent measurement (continued)***

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

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

*(ii) Loans and receivables*

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

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

*(iii) Held-to-maturity investments*

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

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

*(iv) Available-for-sale financial assets*

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

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

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

*(v) Financial liabilities*

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Financial Instruments (Continued)**

***Impairment***

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

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

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

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

***Derecognition***

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

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

**(i) Impairment of Assets**

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

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

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

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

**(j) Trade and Other Payables**

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Employee Benefits**

**Short-term employee benefits**

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

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

**Other long-term employee benefits**

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

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

**(l) Borrowing Costs**

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

**(m) Provisions**

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

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

**(n) Leases**

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

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

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

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

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Investment in Associates**

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

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

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

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

**(p) Interests in Joint Arrangements**

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

**(q) Rates, Grants, Donations and Other Contributions**

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

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

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

**(r) Superannuation**

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(s) Current and Non-Current Classification**

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

**(t) Rounding Off Figures**

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

**(u) Comparative Figures**

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

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

**(v) Budget Comparative Figures**

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

	<b>Title</b>	<b>Issued / Compiled</b>	<b>Applicable <sup>(1)</sup></b>	<b>Impact</b>
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2018	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
(iii)	AASB 16 Leases	February 2016	1 January 2019	<p>Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges. Based on the current number of operating leases held by the Shire, the impact is not expected to be significant.</p>



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations  [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation  [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101  [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.  This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.  It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities  [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.  The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

<sup>(1)</sup> 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 2016**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(x) Adoption of New and Revised Accounting Standards**

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

These new and revised standards were as follows:

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

## 2. REVENUE AND EXPENSES

# 2015

\$

The Net result includes:

(i) Charging as an expense:

- Audit of the Annual Financial Report
- Other Services

27.305

0

Buildings	652,922	639,007
Furniture and Equipment	11,120	46,269
Plant and Equipment	243,663	228,252
Infrastructure - Roads	705,990	710,180
Infrastructure - Footpaths	3,908	1,950
Infrastructure - Parks and Ovals	14,247	33,357
Infrastructure - Airfield	9,150	3,018
	<u>1,641,000</u>	<u>1,662,033</u>

1.662.033

Debentures (refer Note 21 (a))

32,381

Other Interest

2.136

34,517

- Operating leases

20,119

20,119

(ii) Crediting as revenue:

### Reimbursements and recoveries

70,705

Other

0

70,705

**2016  
Budget  
\$**

**2015  
Actual  
\$**

## Interest earnings

- Reserve funds

21.199

- Other funds

22,426

Other interest revenue (refer note 27)

9,217

52,842

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective**

In order to discharge its responsibilities to the community, the Shire will lead responsibly and partner with the Regional and the Three Springs Community to achieve its future goals and reach its potential. The Shire will encourage community action and ownership of all the key projects through playing a catalyst and facilitator.

**COMMUNITY VISION**

Powering the Region - Three Springs becomes healthy and unified community with a bright future.

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

**GOVERNANCE**

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

**Activities:** Administration and operation of facilities and services to members of council; other cost that relate to the task of assisting elected members, ratepayers on matter 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 daycare centre, playgroup and Youth activities

**HOUSING**

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

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**2. REVENUE AND EXPENSES (Continued)**

**(b) Statement of Objective (Continued)**

**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, efficiently manage infrastructure and resources that help the social wellbeing of the community.

**Activities:** Maintenance: swimming pool, recreation centre, library, parks, gardens, reserves

**TRANSPORT**

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

**Activities:** Construction and maintenance of streets, roads, bridges; cleaning and lighting of streets, traffic signs, cycleways; 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 AND SERVICES**

**Objective:** To monitor and control overheads and operating accounts.

**Activities:** Private work operations, plant repair, operations and engineering costs.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**2. REVENUE AND EXPENSES (Continued)**

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening Balance <sup>(1)</sup> 1/07/14 \$</b>	<b>Received <sup>(2)</sup> 2014/15 \$</b>	<b>Expended <sup>(3)</sup> 2014/15 \$</b>	<b>Closing Balance <sup>(1)</sup> 30/06/15 \$</b>	<b>Received <sup>(2)</sup> 2015/16 \$</b>	<b>Expended <sup>(3)</sup> 2015/16 \$</b>	<b>Closing Balance 30/06/16 \$</b>
<b>Grant/Contribution</b>	<b>Function/ Activity</b>							
CLGF - Admin Upgrade	Governance	312,939	0	(78,111)	234,828	0	0	234,828
Office of Crime Prevention	Law & Order	10,210	0	(10,210)	0	0	0	0
FESA - Emergency Services	Law & Order	0	357,158	(357,158)	0	35,177	(35,177)	0
Senior's Week Grant	Welfare	0	0	0	0	750	0	750
CLGF - Staff Housing	Housing	108,736	0	(108,736)	0	0	0	0
	Community							
MWDC - Main Street Revitalisation	Amenities	0	0	0	0	36,293	(36,293)	0
	Community							
Lotteries Commission	Amenities	0	63,471	(63,471)	0	0	0	0
Lottery West - Heritage Trail	Recreation	0	0	0	0	21,450	(21,450)	0
Pool - Government Grants CSRFF	Recreation	0	250,000	(250,000)	0	0	0	0
Pool - CPRPS Grant	Recreation	0	0	0	0	32,000	(32,000)	0
Roads to Recovery	Transport	0	0	0	0	757,334	(623,432)	133,902
Main Roads - Regional Road Group	Transport	0	310,466	(310,466)	0	90,800	(90,800)	0
Main Roads - RRG Direct Grant	Transport	0	0	0	0	177,868	0	177,868
Grants - Country Pathways	Transport	0	38,837	(38,837)	0	26,600	(26,600)	0
WANDRRA	Transport	0	0	0	0	311,773	(311,773)	0
Volunteer's Grant - Visitor Centre	Economic Services	0	0	0	0	1,550	(1,550)	0
Grants - Arrino Gardens	Economic Services	0	19,734	0	19,734	0	(5,518)	14,216
<b>Total</b>		<b>431,885</b>	<b>1,039,666</b>	<b>(1,216,989)</b>	<b>254,562</b>	<b>1,491,595</b>	<b>(1,184,593)</b>	<b>561,564</b>

**Notes:**

- (1)** - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2)** - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3)** - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	Note	2016 \$	2015 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		458,571	795,772
Restricted		1,395,039	772,984
		<u>1,853,610</u>	<u>1,568,756</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	11	124,573	121,059
Plant reserve	11	131,198	127,496
Housing and Development Reserve	11	78,172	75,966
Joint Venture Housing Reserve	11	119,173	115,810
Gravel Pit Reserve	11	45,315	44,036
Swimming Pool Equipment Reserve	11	35,044	34,055
Day Care Centre Reserve	11	300,000	0
Unspent grants	2(c)	561,564	254,562
		<u>1,395,039</u>	<u>772,984</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		25,848	36,763
Sundry Debtors		434,573	76,627
Provision for Doubtful Debts		(3,856)	(3,187)
GST Receivable		983	3,744
		<u>457,548</u>	<u>113,947</u>
<b>Non-current</b>			
Rates Outstanding - Pensioners		18,227	16,089
		<u>18,227</u>	<u>16,089</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and Materials		11,436	7,358
		<u>11,436</u>	<u>7,358</u>



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 \$	2015 \$
<b>6 (a). PROPERTY, PLANT AND EQUIPMENT</b>		
Land and buildings		
Land - Freehold at:		
- Independent valuation 2013 - level 2	877,000	877,000
- Additions after valuation - cost	<u>68,463</u>	<u>18,200</u>
	945,463	895,200
 Buildings at:		
- Independent valuation 2013 - level 3	12,016,543	12,016,543
- Additions after valuation - cost	1,561,419	1,508,122
Less: accumulated depreciation	<u>(2,116,377)</u>	<u>(1,463,455)</u>
	11,461,585	12,061,210
 Total land and buildings	<u>12,407,048</u>	<u>12,956,410</u>
 Furniture and Equipment at:		
- Management valuation 2015 - level 3	0	140,000
- Management valuation 2016 - level 2	33,982	0
- Management valuation 2016 - level 3	<u>128,880</u>	<u>0</u>
	162,862	140,000
 Plant and Equipment at:		
- Management valuation 2013 - level 3	0	73,553
- Management valuation 2013 - level 2	0	1,315,603
- Management valuation 2016 - level 3	17,581	0
- Management valuation 2016- level 2	2,291,693	0
- Additions after valuation - cost	0	835,806
Less accumulated depreciation	<u>0</u>	<u>(358,437)</u>
	2,309,274	1,866,525
	<u>14,879,184</u>	<u>14,962,935</u>

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - Freehold	895,200	50,263	0	0	0	0	0	0	945,463
<b>Total land</b>	<b>895,200</b>	<b>50,263</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>945,463</b>
Buildings	12,061,210	53,297	0	0	0	0	(652,922)	0	11,461,585
<b>Total buildings</b>	<b>12,061,210</b>	<b>53,297</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(652,922)</b>	<b>0</b>	<b>11,461,585</b>
<b>Total land and buildings</b>	<b>12,956,410</b>	<b>103,560</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(652,922)</b>	<b>0</b>	<b>12,407,048</b>
Furniture and Equipment	140,000	33,982	0	0	0	0	(11,120)	0	162,862
Plant and Equipment	1,866,525	520,976	(193,201)	358,637	0	0	(243,663)	0	2,309,274
<b>Total property, plant and equipment</b>	<b>14,962,935</b>	<b>658,518</b>	<b>(193,201)</b>	<b>358,637</b>	<b>0</b>	<b>0</b>	<b>(907,705)</b>	<b>0</b>	<b>14,879,184</b>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(c) Fair Value Measurements**

<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of valuation</b>	<b>Date of last Valuation</b>	<b>Inputs used</b>
<b>Land and buildings</b>					
Land - Freehold	(Level 2)	Market approach using recent observable market data for similar properties	Independent registered valuers	30/06/2013	Price per square metre
Buildings	(Level 3)	Market approach using recent observable market data for similar properties	Independent registered valuers	30/06/2013	Price per square metre
<b>Furniture and Equipment</b>					
Management Valuation 2016	(Level 3)	Cost approach using depreciated replacement cost	Management Valuation	30/06/2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Plant and Equipment</b>					
Management Valuation 2016	(Level 2)	Market approach using recent observable market data for similar items	Management Valuation	30/06/2016	Price per unit/item
Management Valuation 2016	(Level 3)	Cost approach using depreciated replacement cost	Management Valuation	30/06/2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 \$	2015 \$
<b>7 (a). INFRASTRUCTURE</b>		
Infrastructure - Roads		
- Management valuation 2013 - level 3	33,177,598	33,177,598
- Additions after valuation - cost	3,410,580	2,674,334
Less accumulated depreciation	<u>(2,290,763)</u>	<u>(1,584,773)</u>
	34,297,415	34,267,159
Infrastructure - Footpaths		
- Management valuation 2013 - level 3	78,006	78,006
- Additions after valuation - cost	154,438	78,324
Less accumulated depreciation	<u>(7,808)</u>	<u>(3,900)</u>
	224,636	152,430
Infrastructure - Parks and Ovals		
- Independent valuation 2015 - level 3	245,000	245,000
- Management valuation 2015	59,496	59,496
- Additions after valuation - cost	38,607	0
Less accumulated depreciation	<u>(14,247)</u>	<u>0</u>
	328,856	304,496
Infrastructure - Airfield		
- Management valuation 2015 - level 3	228,000	228,000
Less accumulated depreciation	<u>(9,150)</u>	<u>0</u>
	218,850	228,000
Work in Progress	13,710	0
	<u>35,083,467</u>	<u>34,952,085</u>

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**7. INFRASTRUCTURE (Continued)**

**(b) Movements in Carrying Amounts**

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - Roads	34,267,159	749,956	0	0	0	0	(705,990)	(13,710)	34,297,415
Infrastructure - Footpaths	152,430	76,114	0	0	0	0	(3,908)	0	224,636
Infrastructure - Parks and Ovals	304,496	38,607	0	0	0	0	(14,247)	0	328,856
Infrastructure - Airfield	228,000	0	0	0	0	0	(9,150)	0	218,850
Work in Progress	0	0	0	0	0	0	0	13,710	13,710
<b>Total infrastructure</b>	<b>34,952,085</b>	<b>864,677</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(733,295)</b>	<b>0</b>	<b>35,083,467</b>

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2016**

**7. INFRASTRUCTURE (Continued)**

**(c) Fair Value Measurements**

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
<b>Infrastructure - Roads</b>	(Level 3)	Cost approach using depreciated replacement cost	Management Valuation	30/06/2013	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Footpaths</b>	(Level 3)	Cost approach using depreciated replacement cost	Management Valuation	30/06/2013	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Parks and Ovals</b>	(Level 3)	Cost approach using depreciated replacement cost	Independent registered valuers	30/06/2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
<b>Infrastructure - Airfield</b>	(Level 3)	Cost approach using depreciated replacement cost	Independent registered valuers	30/06/2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016 \$	2015 \$
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry creditors	120,655	36,341
Accrued interest on debentures	4,836	7,993
Accrued salaries and wages	8,343	0
Accrued Expenditure	11,374	62,028
Excess Rates	4,976	7,185
	<u>150,184</u>	<u>113,547</u>

**9. LONG-TERM BORROWINGS**

**Current**

Secured by floating charge  
 Debentures

149,072	142,098
<u>149,072</u>	<u>142,098</u>

**Non-current**

Secured by floating charge  
 Debentures

269,793	418,865
<u>269,793</u>	<u>418,865</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
<b>Opening balance at 1 July 2015</b>			
Current provisions	65,650	41,019	106,669
Non-current provisions	<u>0</u>	<u>50,582</u>	<u>50,582</u>
	65,650	91,601	157,251
 Additional provision	 (4,724)	 16,580	 11,856
 <b>Balance at 30 June 2016</b>	 <u>60,926</u>	 <u>108,181</u>	 <u>169,107</u>
 <b>Comprises</b>			
Current	60,926	56,949	117,875
Non-current	<u>0</u>	<u>51,232</u>	<u>51,232</u>
	<u>60,926</u>	<u>108,181</u>	<u>169,107</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**11. RESERVES - CASH BACKED**

	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$	Budget 2016 Opening Balance \$	Budget 2016 Transfer to \$	Budget 2016 Transfer (from) \$	Budget 2016 Closing Balance \$	Actual 2015 Opening Balance \$	Actual 2015 Transfer to \$	Actual 2015 Transfer (from) \$	Actual 2015 Closing Balance \$
Leave reserve	121,059	3,514	0	124,573	121,059	3,200	0	124,259	116,109	4,950	0	121,059
Plant reserve	127,496	3,702	0	131,198	127,497	324,500	0	451,997	122,283	5,213	0	127,496
Housing and Development Reserve	75,966	2,206	0	78,172	75,966	2,000	0	77,966	72,860	3,106	0	75,966
Joint Venture Housing Reserve	115,810	3,363	0	119,173	115,810	3,000	0	118,810	111,074	4,736	0	115,810
Gravel Pit Reserve	44,036	1,279	0	45,315	44,036	1,000	0	45,036	42,235	1,801	0	44,036
Swimming Pool Equipment Reserve	34,055	989	0	35,044	34,055	900	0	34,955	32,662	1,393	0	34,055
Day Care Centre Reserve	0	300,000	0	300,000	0	100,000	0	100,000	0	0	0	0
	<u>518,422</u>	<u>315,053</u>	<u>0</u>	<u>833,475</u>	<u>518,423</u>	<u>434,600</u>	<u>0</u>	<u>953,023</u>	<u>497,223</u>	<u>21,199</u>	<u>0</u>	<u>518,422</u>

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

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

<b>Name of Reseve</b>	<b>Anticipated date of use</b>	<b>Purpose of the reserve</b>
Leave reserve	Ongoing	To be used to fund employee long service leave requirements.
Plant reserve	Ongoing	To be used to fund major plant replacement, upgrade or purchase new.
Housing and Development Reserve	Ongoing	To be used to fund new development projects and upgrade staff housing.
Joint Venture Housing Reserve	Ongoing	To be used to maintain the joint Ministry of Housing/Local Government properties.
Gravel Pit Reserve	Ongoing	To be used for rehabilitation of disused gravel pits.
Swimming Pool Equipment Reserve	Ongoing	To be used to fund purchase of recreational equipment for the swimming pool.
Day Care Centre Reserve	Jun-17	To be used to fund upgrade of Child Care building.

The Reserves, other than Day Care Centre Reserve, 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.



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**12. REVALUATION SURPLUS**

	<b>2016 Opening Balance \$</b>	<b>2016 Revaluation Increment \$</b>	<b>2016 Revaluation Decrement \$</b>	<b>2016 Total Movement on Revaluation \$</b>	<b>2016 Closing Balance \$</b>	<b>2015 Opening Balance \$</b>	<b>2015 Revaluation Increment \$</b>	<b>2015 Revaluation Decrement \$</b>	<b>2015 Total Movement on Revaluation \$</b>	<b>2015 Closing Balance \$</b>
Land and buildings	8,504,631	0	0	0	8,504,631	8,504,631	0	0	0	8,504,631
Plant and Equipment	259,264	358,637	0	358,637	617,901	259,264	0	0	0	259,264
Infrastructure - Roads	15,400,571	0	0	0	15,400,571	15,400,571	0	0	0	15,400,571
Infrastructure - Airfield	181,566	0	0	0	181,566	0	181,566	0	181,566	181,566
	<u>24,346,032</u>	<u>358,637</u>	<u>0</u>	<u>358,637</u>	<u>24,704,669</u>	<u>24,164,466</u>	<u>181,566</u>	<u>0</u>	<u>181,566</u>	<u>24,346,032</u>

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**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:

	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<u>1,853,610</u>	<u>1,409,001</u>	<u>1,568,756</u>

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

Net result	417,270	1,693,327	1,186,982
Non-cash flows in Net result:			
Depreciation	1,641,000	895,500	1,662,033
(Profit)/Loss on sale of asset	52,050	59,000	61,672
Loss on revaluation of fixed assets	0	0	139,956
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(345,739)	(21,000)	(15,941)
(Increase)/Decrease in inventories	(4,078)	0	1,957
Increase/(Decrease) in payables	36,637	60,493	(189,042)
Increase/(Decrease) in provisions	11,856	(300)	(31,127)
Grants contributions for the development of assets	(1,136,462)	(1,772,229)	(1,078,646)
Net cash from operating activities	<u>672,534</u>	<u>914,791</u>	<u>1,737,844</u>

**(c) Undrawn Borrowing Facilities**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Credit Standby Arrangements</b>		
Credit card limit	11,000	11,000
Credit card balance at balance date	(617)	(80)
<b>Total amount of credit unused</b>	<u>10,383</u>	<u>10,920</u>
<b>Loan facilities</b>		
Loan facilities - current	149,072	142,098
Loan facilities - non-current	269,793	418,865
<b>Total facilities in use at balance date</b>	<u>418,865</u>	<u>560,963</u>
<b>Unused loan facilities at balance date</b>	<u>NIL</u>	<u>NIL</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**14. CONTINGENT LIABILITIES**

There are no known contingent liabilities.

	2016	2015
	\$	\$
<b>15. CAPITAL AND LEASING COMMITMENTS</b>		
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	17,994	17,994
- later than one year but not later than five years	14,995	35,988
	<u>32,989</u>	<u>53,982</u>

**(b) Capital Expenditure Commitments**

Contracted for:		
- capital expenditure projects	683,433	0
Payable:		
- not later than one year	683,433	0

The capital expenditure project outstanding amount of \$683,433 at the end of the current reporting period is for the Re-Alignment of Three Springs - Eneabba - Nebru Road.  
The Shire did not have any future capital commitments at the end of previous reporting period.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**16. JOINT VENTURE ARRANGEMENTS**

The Shire together with the Department of Housing and Works constructed four units for aged residents in 2002/03 and a further two units in 2008/09, known as Kadathinni Units, Carter Street, Three Springs. Council has a 22.34% equity in the first 4 units (units 1, 2, 3 & 4) and a 15.35% in the last two units (units 5&6) in this development and is included in Land and Buildings as follows

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current assets</b>		
Kadathinni Units - Aged Residents	180,359	180,359
Less: accumulated depreciation	<u>(15,725)</u>	<u>(11,532)</u>
	<u><u>164,634</u></u>	<u><u>168,827</u></u>

The Shire together with the Department of Housing and Works constructed two (2) houses for community housing purposes in 1985/86 and 1986/87 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 Land and Buildings as follow:-

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current assets</b>		
Land and buildings	51,420	51,420
Less: accumulated depreciation	<u>(5,962)</u>	<u>(4,250)</u>
	<u><u>45,458</u></u>	<u><u>47,170</u></u>

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Governance	1,339,339	974,869
General purpose funding	44,075	0
Law, order, public safety	897,195	704,604
Health	1,661,090	1,714,828
Education and welfare	318,861	16,311
Housing	3,345,742	3,271,320
Community amenities	400,255	329,678
Recreation and culture	4,673,234	4,922,439
Transport	36,068,587	35,218,264
Economic services	241,421	201,723
Other property and services	1,895,256	1,662,108
Unallocated	<u>1,418,417</u>	<u>2,605,026</u>
	<u><u>52,303,472</u></u>	<u><u>51,621,170</u></u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

	2016	2015	2014
<b>18. FINANCIAL RATIOS</b>			
Current ratio	3.10	3.59	0.79
Asset sustainability ratio	0.71	1.10	1.44
Debt service cover ratio	5.74	9.90	7.72
Operating surplus ratio	(0.31)	0.05	(0.19)
Own source revenue coverage ratio	0.55	0.58	0.55

The above ratios are calculated as follows:

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

**Notes:**

- (a) Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 56 of this document.

**(b) 2016**

The Debt Service Cover and Operating Surplus ratios disclosed above, were distorted by the early receipt of half of the allocation for the 2015-16 Financial Assistance Grant on 30 June 2015. This created a timing difference which resulted in an amount of \$481,793 less revenue for the year.

**(c) 2015**

- (i) The Current, Debt Service Cover and Operating Surplus ratios disclosed above, were distorted by an item of significant revenue relating to the early payment of 2015/16 FAGS of \$481,793, which was received prior to year end.
- (ii) The Debt Service Cover and Operating Surplus ratios as disclosed above were also distorted by an item of significant expense being the loss on revaluation of fixed assets amounting to \$139,956.

**(d) 2014**

- (i) The Debt Service Cover and Operating Surplus ratios disclosed above, were distorted by the change to the payment of FAGs during the year ended 30 June 2014 which saw the advance payment for the following year cease. This created a timing difference which resulted in an amount of some \$438,848 less revenue for the year.
- (ii) The Debt Service Cover and Operating Surplus ratios as disclosed above, were distorted by an item of significant revenue totalling \$549,283 relating to a bridge contributed to the Shire.

Items (b) to (d) mentioned are considered to be "one-off" and if they are ignored, the calculations disclosed in the columns above would be as follows:

	2016	2015	2014
Current Ratio	3.10	1.70	0.79
Debt Service Cover Ratio	8.68	8.03	7.02
Operating Surplus Ratio	(0.10)	(0.10)	(0.23)

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**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:

	1 July 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Arrowsmith Catchment	87,459	0	0	87,459
Arrowsmith Rates	1,489	0	0	1,489
Housing Bonds - General	280	0	0	280
Police Department - Licensing	5,122	281,177	(284,577)	1,722
Three Springs LCDC	4,334	0	0	4,334
Trust - East TS Catchment	2,014	0	0	2,014
Refuse Site fund in Trust	50,000	0	(50,000)	0
	<u>150,698</u>			<u>97,298</u>

**20. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
<b>Plant and Equipment</b>								
<b>Governance</b>								
Hyundai Sante Fee	15,489	9,091	0	(6,398)	20,800	13,000	0	(7,800)
<b>Health</b>								
Toyota Rav4	18,336	8,182	0	(10,154)	19,500	12,000	0	(7,500)
<b>Transport</b>								
Ford Ranger	17,049	30,000	12,951	0	18,200	34,000	15,800	0
Mitsubishi Triton	0	0	0	0	11,000	12,000	1,000	0
Branson Tractor	36,848	31,640	0	(5,208)	39,000	24,200	0	(14,800)
Caterpillar 120H Grader	95,345	62,238	0	(33,107)	100,700	55,000	0	(45,700)
Minor Tools & Equipment	10,134	0	0	(10,134)	0	0	0	0
	<u>193,201</u>	<u>141,151</u>	<u>12,951</u>	<u>(65,001)</u>	<u>209,200</u>	<u>150,200</u>	<u>16,800</u>	<u>(75,800)</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2015	New Loans	Principal Repayments		Principal 30 June 2016		Interest Repayments	
	\$	\$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Recreation and culture</b>								
Loan 156 - Swimming Pool	64,926	0	14,976	14,976	49,950	49,950	2,975	3,257
Loan 160 - Swimming Pool	183,302	0	17,358	17,358	165,944	165,944	6,997	6,999
<b>Transport</b>								
Loan 157 - Grader	137,977	0	24,367	24,367	113,610	113,610	7,469	8,090
Loan 159 - Prime Mover	174,758	0	85,397	85,397	89,361	89,361	4,801	7,053
	<u>560,963</u>	<u>0</u>	<u>142,098</u>	<u>142,098</u>	<u>418,865</u>	<u>418,865</u>	<u>22,242</u>	<u>25,399</u>

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

The Shire has no overdraft facility in place

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**22. RATING INFORMATION - 2015/16 FINANCIAL YEAR**

<b>RATE TYPE</b>	<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential general rate / general rate</b>											
<b>Gross rental value valuations</b>											
GRV - Residential	0.116129	208	1,990,280	231,129	0	0	231,129	231,127	0	0	231,127
GRV - Mining	0.387907	1	248,500	96,395	0	0	96,395	96,395	0	0	96,395
<b>Unimproved value valuations</b>											
UV - Rural & Arrino Town	0.016233	183	95,094,500	1,543,669	282	17	1,543,968	1,543,669	0	0	1,543,669
UV - Mining	0.119152	18	348,163	41,484	678	0	42,162	47,354	0	0	47,354
<b>Sub-Total</b>		410	97,681,443	1,912,677	960	17	1,913,654	1,918,545	0	0	1,918,545
<b>Minimum payment</b>	<b>Minimum \$</b>										
GRV - Residential	440	22	13,775	9,680	440	0	10,120	9,680	0	0	9,680
UV - Rural & Arrino Town	440	23	305,400	10,120	0	0	10,120	10,120	0	0	10,120
UV - Mining	440	10	15,641	4,400	0	0	4,400	3,520	0	0	3,520
<b>Sub-Total</b>		55	334,816	24,200	440	0	24,640	23,320	0	0	23,320
		<b>465</b>	<b>98,016,259</b>	<b>1,936,877</b>	<b>1,400</b>	<b>17</b>	<b>1,938,294</b>	<b>1,941,865</b>	<b>0</b>	<b>0</b>	<b>1,941,865</b>
Discounts/concessions (refer note 26)							0				0
<b>Total amount raised from general rate</b>							<b>1,938,294</b>				<b>1,941,865</b>



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**23. NET CURRENT ASSETS**

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
<b>Surplus/(Deficit)</b>	<u>1,345,633</u>	<u>1,072,482</u>	<u>1,072,482</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Unrestricted	458,571	795,772	795,772
Restricted	1,395,039	772,984	772,984
Rates Outstanding	25,848	36,763	36,763
Sundry Debtors	434,573	76,627	76,627
Provision for Doubtful Debts	(3,856)	(3,187)	(3,187)
GST Receivable	983	3,744	3,744
Inventories			
Fuel and Materials	11,436	7,358	7,358
<b>LESS: CURRENT LIABILITIES</b>			
Trade and other payables			
Sundry creditors	(120,655)	(36,341)	(36,341)
Accrued interest on debentures	(4,836)	(7,993)	(7,993)
Accrued salaries and wages	(8,343)	0	0
Accrued Expenditure	(11,374)	(62,028)	(62,028)
Excess Rates	(4,976)	(7,185)	(7,185)
Current portion of long term borrowings			
Secured by floating charge	(149,072)	(142,098)	(142,098)
Provisions			
Provision for annual leave	(60,926)	(65,650)	(65,650)
Provision for long service leave	(56,949)	(41,019)	(41,019)
<b>Unadjusted net current assets</b>	<u>1,905,463</u>	<u>1,327,747</u>	<u>1,327,747</u>
<b>Adjustments</b>			
Less: Reserves - restricted cash	(833,475)	(518,422)	(518,422)
Add: Current portion of long term borrowings secured by floating charge	149,072	142,098	142,098
Add: Component of Leave Liability not required to be funded	124,573	121,059	121,059
<b>Adjusted net current assets - surplus/(deficit)</b>	<u>1,345,633</u>	<u>1,072,482</u>	<u>1,072,482</u>

**Difference**

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**24. SPECIFIED AREA RATE - 2015/16 FINANCIAL YEAR**

No specified area rates were levied in the 2015/16 financial year.

**25. SERVICE CHARGES - 2015/16 FINANCIAL YEAR**

No Service Charges were imposed in the 2015/16 financial year.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2015/16 FINANCIAL YEAR**

**Rates Discounts**

No discount on rates is available.

**Waivers or Concessions**

Following charges are waived for local Primary School and certain community groups such as local newsletter, St John Ambulance, Volunteer Bush Fire Brigade, Wildflower Group and Hospital Fete.

- Photocopying charges
- Pool Admission
- Community Hall Hire
- Community Bus Hire

Council considers support of these groups necessary for the benefit of the community.

**27. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR**

	<b>Date Due</b>	<b>Instalment Plan Admin Charge \$</b>	<b>Instalment Plan Interest Rate %</b>	<b>Unpaid Rates Interest Rate %</b>
<b>Instalment Options</b>				
<b>Option One</b>				
Single full payment	25-Oct-15	0	0%	11%
<b>Option Two</b>				
First Instalment	25-Oct-15	0	0.0%	11%
Second Instalment	28-Dec-15	10	5.5%	11%
<b>Option Three</b>				
First Instalment	25-Oct-15	0	5.5%	11%
Second Instalment	28-Dec-15	10	5.5%	11%
Third Instalment	28-Feb-16	10	5.5%	11%
Fourth Instalment	19-Apr-16	10	5.5%	11%

	<b>Revenue \$</b>	<b>Budgeted Revenue \$</b>
Interest on unpaid rates	7,596	8,000
Interest on instalment plan	3,840	2,500
Charges on instalment plan	1,840	1,400
Interest on ESL	128	100
	<b>13,404</b>	<b>12,000</b>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

<b>28. FEES &amp; CHARGES</b>	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
Governance	9,672	5,530
General purpose funding	5,840	17,656
Law, order, public safety	2,866	4,017
Health	16,163	23,097
Housing	103,702	98,581
Community amenities	80,061	69,577
Recreation and culture	15,233	13,640
Transport	0	208
Economic services	8,286	4,389
Other property and services	10,518	24,150
	<u>252,341</u>	<u>260,845</u>

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

**29. GRANT REVENUE**

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

<b>By Nature or Type:</b>	<b>2016</b> <b>\$</b>	<b>2015</b> <b>\$</b>
<b>Operating grants, subsidies and contributions</b>		
Governance	10,440	1,423,562
General purpose funding	469,081	15,661
Law, order, public safety	145,282	167,515
Health	7,838	1,791
Education and welfare	750	715
Housing	0	94,539
Recreation and culture	58,513	32,729
Transport	404,248	89,253
Economic services	2,056	708
Other property and services	24,991	13,071
	<u>1,123,199</u>	<u>1,839,544</u>
<b>Non-operating grants, subsidies and contributions</b>		
Law, order, public safety	0	357,158
Community amenities	174,660	63,471
Recreation and culture	0	288,980
Transport	961,802	349,303
Economic services	0	19,734
	<u>1,136,462</u>	<u>1,078,646</u>
	<u>2,259,661</u>	<u>2,918,190</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>18</u>	<u>18</u>
-----------	-----------

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**31. ELECTED MEMBERS REMUNERATION**

	2016 \$	Budget \$	2015 \$
--	------------	--------------	------------

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

Meeting Fees	11,748	13,320	11,900
President's allowance	7,500	7,500	7,500
Deputy President's allowance	1,375	1,375	1,375
Travelling expenses	0	500	0
	20,623	22,695	20,775

**32. MAJOR LAND TRANSACTIONS**

The Shire did not participate in any major land transactions during the 2015/16 financial year.

**33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

The Shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**34. FINANCIAL RISK MANAGEMENT**

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

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

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

*The Shire held the following financial instruments at balance date:*

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,853,610	1,568,756	1,853,610	1,568,756
Receivables	475,775	130,036	475,775	130,036
	<u>2,329,385</u>	<u>1,698,792</u>	<u>2,329,385</u>	<u>1,698,792</u>
<b>Financial liabilities</b>				
Payables	150,184	113,547	150,184	113,547
Borrowings	418,865	560,963	418,865	560,963
	<u>569,049</u>	<u>674,510</u>	<u>569,049</u>	<u>674,510</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 2016**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Cash and Cash Equivalents**

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	18,536	15,688
- Statement of Comprehensive Income	18,536	15,688

**Notes:**

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Receivables**

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

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

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

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

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

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

	<b>2016</b>	<b>2015</b>
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	80%	83%
- Overdue	20%	17%

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**  
**Borrowings**

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

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

	<b>Due within 1 year \$</b>	<b>Due between 1 &amp; 5 years \$</b>	<b>Due after 5 years \$</b>	<b>Total contractual cash flows \$</b>	<b>Carrying values \$</b>
<b><u>2016</u></b>					
Payables	150,184	0	0	150,184	150,184
Borrowings	149,072	350,545	68,320	567,937	418,865
	<u>299,256</u>	<u>350,545</u>	<u>68,320</u>	<u>718,121</u>	<u>569,049</u>
<b><u>2015</u></b>					
Payables	113,547	0	0	113,547	113,547
Borrowings	167,498	374,408	97,426	639,332	560,963
	<u>281,045</u>	<u>374,408</u>	<u>97,426</u>	<u>752,879</u>	<u>674,510</u>



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2016**

**34. FINANCIAL RISK MANAGEMENT (Continued)**

**(c) Payables**  
**Borrowings (continued)**

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

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

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
<b><u>Year ended 30 June 2016</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	89,362	0	49,949	0	113,610	165,944	418,865	4.83%
Weighted average Effective interest rate	4.59%		5.32%		6.13%	3.91%		
<b><u>Year ended 30 June 2015</u></b>								
<b>Borrowings</b>								
<b>Fixed rate</b>								
Debentures	0	174,758	0	64,926	137,977	183,302	560,963	4.83%
Weighted average Effective interest rate		4.59%		5.32%	6.13%	3.91%		

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

PO Box 5785, St Georges Terrace, WA 6831

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

[www.moorestephenswa.com.au](http://www.moorestephenswa.com.au)

## **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 2016, 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 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 and fair presentation 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.

#### **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 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

**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:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 56 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS  
CHARTERED ACCOUNTANTS

  
GREG GODWIN  
PARTNER

Date: 22 December 2016  
PERTH, WA

**SHIRE OF THREE SPRINGS  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2016**

**RATIO INFORMATION**

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

	2016	2015	2014
Asset consumption ratio	0.49	0.44	0.42
Asset renewal funding ratio (Note)	1.76	N/A	N/A

The above ratios are calculated as follows:

Asset consumption ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
-------------------------	--

Asset renewal funding ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
-----------------------------	---

**Note:**

The Shire did not have an adopted Asset Management Plan as at 30 June 2015 therefore this ratio has not been calculated for 2015 and 2014.