



SHIRE OF THREE SPRINGS

ANNUAL REPORT

2016/2017

President's Report

I welcome the opportunity as your President to present to electors and ratepayers my report on the activities of the Shire of Three Springs for the financial year 1st July, 2016 through to 30th June, 2017.

Councillors

During 2016/2017 Cr Robert Hunt resigned having served on Council from 1989 to 1993 and a second period of service between 2006 and 2017. Robert's knowledge and history of Three Springs was amazing, his commitment to the Three Springs Community was 100% and his input into Council business will be sorely missed. Thank you Robert for your period of service, Three Springs wishes you well in your "retirement".

Your elected members have represented Council and your community on a number of organisations attending various meetings throughout the year. These include the Northern Country Zone of WALGA, Mid West Regional Road Group, North Midlands Medical Practice Committee, Wildflower Country Inc, Three Springs Community Action Group, Local Emergency Management Committee and Bushfire Advisory Committee. Separately all Councillors have attended and represented Council at a variety of local functions and events in their role as Councillor.

Three Springs is fortunate to have many volunteers who continue to contribute and work with Council in so many ways, my sincere thanks to all of those wonderful volunteers. Whether they belong to community committees, service or sporting organisations, volunteers play a vital role in ensuring Three Springs remains a strong and active community. The "Thank a Volunteer Day" is one small way for Council to show their appreciation for the contribution made by volunteers, although only a small number attend this function, "Thanks" are no less sincere.

Early in 2017 Council entered into a contract with Dr Sasha Risinger for the provision of medical services through the Three Springs Medical Centre which was previously managed by Jupiter Health and Medical Services for the previous 3 years. Dr Risinger provides this service, not only to Three Springs residents but also in collaboration with Shires of Carnamah and Coorow to their residents. With Dr Syed Faisal providing a dental service to local residents, these excellent medical and dental facilities are being well supported and makes Council's investment in the Centre worthwhile.

As part of Wildflower Country Inc action plan "The Midlands Route" project was completed, thanks to funding through Royalties for Regions, Mid West Development Commission and individual shires. Jesse Brampton was engaged as project manager and co-ordinated the final stage of the action plan, linking Wildflower Way and Midlands Route with 38 sites throughout the routes identifying major tourist sites for each of the 9 local governments.

Three Springs own Wildflower Show and Art Exhibition held annually in August is a big draw card for visitors to Three Springs. Along with the Off Road Racing in September, these two events are a credit to the organisers and are talked about by people from all over Australia.

Council finished 2016/2017 financial year with a surplus of \$2,960,690, however this included restricted Reserve funds of \$1,332,604 and grants holding account of \$1,611,069 for specific projects.

Major projects undertaken in 2016/2017 and completed was the re-alignment of intersection on Three Springs/Eneabba and Nebru Roads, commencement of designated Bush Fire Brigade shed, upgrade of administration building and approved funding from Mid West Development and Lotterywest for the building of an Early Childhood Learning Centre to commence in 2018.

On behalf of electors and ratepayers, I take this opportunity to thank each Councillor past and present for their efforts and input during the 2016/2017 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 extended to Councillors' partners and families for their support which has allowed Councillors to dedicate their time to Council.

Finally, on behalf of my fellow Councillors, I wish to thank the CEO and staff for their support throughout 2016/17 and look forward to working with you all in 2017/18.

Cr Chris Lane

Shire President

Councillors for period 2017 to 2019

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Cr Jim Heal

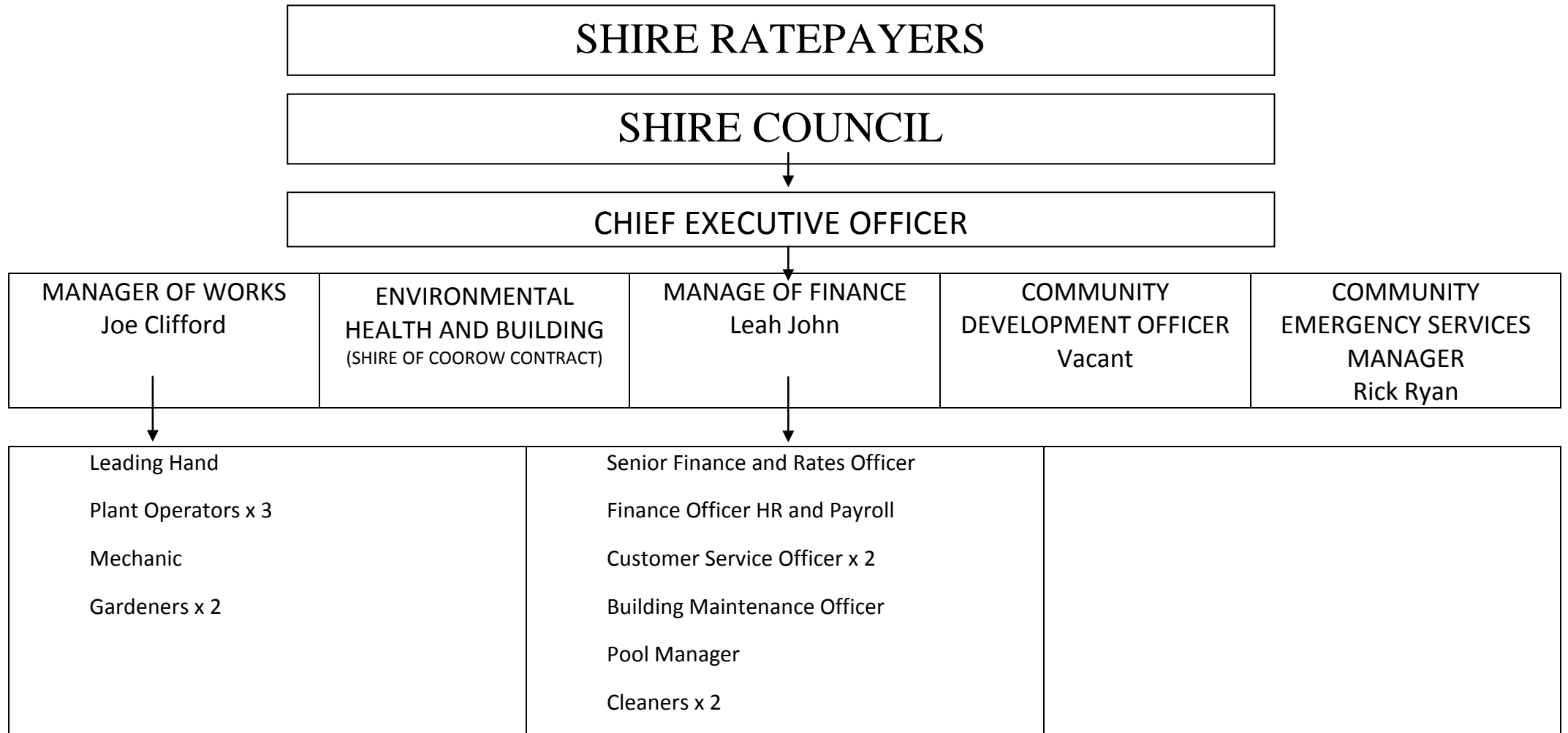
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SHIRE OF THREE SPRINGS ORGANISATIONAL STRUCTURE

30 JUNE 2017



Chief Executive Officer's Report

PRESIDENT, COUNCILLORS, ELECTORS AND COMMUNITY MEMBERS

I am pleased to present the Chief Executive Officer's report to the residents of Three Springs on activities and finances for the 2016/2017 financial year.

The annual report represents an overview of the finances and summary of work and achievements of Council as a result of a team effort between Councillors and staff for the 2016/17 year. As part of the statutory and legislative requirements - corporate goals, strategies and outcomes are outlined in this report.

The Strategic Resource Plan (incorporating Asset Management and Long Term Financial Plan) was presented to Council in October 2016. When planning for the future renewal of assets, a condition based estimation of remaining useful life was applied, as it was viewed as the most appropriate methodology. A combination of financing techniques involving the use of cash backed reserves and long term borrowings were utilised in the plan to provide for asset expenditure requirements.

Selected assets have been classified in the plan as critical to Council's capacity to meet community service expectations and to achieve the community vision; those assets identified are Depot, Administration Building, Medical Centre, Community Recreation Centre and Regional distributor roads.

Planned capital expenditure over the period of the plan includes Building renewals, Early Childhood Centre, Twin Hills Tower, Plant and equipment replacement, and furniture and equipment, along with those identified previously.

MAJOR PROJECTS (completed or commenced in 2016/17)

Road projects during the year included completion of Eneabba/Three Springs/Nebru roads intersection re-alignment funded jointly through Roads to Recovery and Main Roads to the value of \$793,731; Three Springs/Morawa Road, Three Springs/Perenjori Road and Three Springs Eneabba Road (Main Roads) \$391,864; Beekeeper, Hydraulic and Reed Roads (Roads to Recovery) \$196,977 and Resheeting on Bateman, Broad, Nebu and Weir Roads \$318,344 (Council funded). A feasibility study undertaken on townsite drainage expended \$71,236 and Footpath upgrade expenditure amounted to \$32,620.

Plant and equipment purchased during 2016/17 – Isuzu Fire Truck, Water Tanker/Trailer and Fuso Canter Service vehicle totalling \$609,545.

Admin Office upgrade, joint venture housing improvements, commencement of 2 Bay Bushfire Brigade shed and minor plant, furniture and equipment was the extent of remaining capital expenditure for 2016/17.

GRANTS

In addition to FAGS (Financial Assistance Grants) and Road Program funding, Council received funding through government sources for the following projects:-

Department of Fire and Emergency Services	\$494,910	Fire Truck
Council of the Ageing	\$ 960	Seniors Week
Dept Infrastructure & Regional Development	\$ 6,000	Stronger Communities
Dept of Sport and Recreation	\$ 32,000	Pool Revitalisation Grant

RATES

The 2016/17 Annual Budget was adopted by Council in August 2016 with a nil increase in rate in the \$ (rarely experienced by local governments), the total amount raised from rates amounted to \$1,981,116, slightly higher than 2015/16 which was due to payment of rates outstanding from previous years.

RESERVE FUNDS

Cash backed Reserves to help with future major projects including plant and equipment purchases, Early Childhood Learning Centre, leave provisions, staff and community housing and provision to upgrade and maintain Lovelock Soak totalled \$1,332,604 at 30th June 2017.

Housing & Development	\$120,276
Plant	\$234,735
Leave	\$127,915
Joint Venture Housing	\$157,577
Swimming Pool Equipment	\$35,984
Gravel	\$46,531
Day Care Centre	\$508,083
Lovelock Soak	\$25,004
Unspent Grants	<u>\$76,499</u>
TOTAL	<u>\$1,332,604</u>

AUDIT

The Annual Audit commenced in October and was completed in December 2017, a copy of the report is included within this Annual Report. Due to legislative changes a significant amount of time is undertaken on fair values each year in specific asset classes, this financial year it was mandatory for Infrastructure (Roads and Footpaths), Land and Buildings to be revalued. The amount of time involved with the revaluation process is quite considerable and staff are to be commended on their input with this matter.

The Management Report states the Shire's ratio position appears consistent with prior years with 5 of the 7 ratios trending upwards. Whilst Asset Consumption Ratio is below accepted industry benchmark, given strength of other ratios, Council appears well positioned to improve the condition of its assets.

BUILDING WORKS IN THE SHIRE OF THREE SPRINGS

Building activity was very low compared to other years. Value of 2016/17 was \$606,735 as per table below:-

TYPE	NUMBER	VALUE
New dwellings	0	
Garages / Patios / Fences / Carports	1	\$19,000
Commercial – Accommodation Units	1	\$40,000
TOTAL	2	\$59,000

DEMOLITION FEES

Nil asbestos demolition refuse fees received.

TOWN PLANNING and TOWN PLANNING SCHEME

Planning approvals issued for the 2016/17 financial year were:-

Erection of monitoring mast – Rural	1
Commercial Accommodation	1
Residential	2

Two development applications were received from Solar Farm developers, both requiring Council endorsement under Town Planning Scheme No.2; referenced to renewable energy facility.

BUILDING MAINTENANCE PROGRAM

To ensure buildings under Council control are maintained to a satisfactory standard an extensive building maintenance program has been implemented, along with a work in progress budget reviewed each year. Public buildings and housing expenditure for 2016/17 was in excess of \$300,000.

ENVIRONMENTAL HEALTH

Food recalls

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

THREE SPRINGS WASTE FACILITY

Due to new cells being created at the current Refuse site, the new Waste Refuse site was not utilised in 2016/17, there appears to be sufficient space for the current site to function for at least another 12 months.

MEDICAL and DENTAL FACILITIES

Council continues to maintain the Medical Centre, Dental Surgery and both houses situated in Howard for use by doctor and dentist, which allows for quality medical and dental services to not only Three Springs community members but also those in Shire of Coorow and Carnamah.

THREE SPRINGS AQUATIC CENTRE, SPORTS OVAL and RECREATION FACILITIES

Throughout the year general maintenance is carried out on all sports facilities owned or operated by Council. Along with hockey field and oval, the numerous parks within the townsite are mowed and maintained for the whole year. The Aquatic Centre is indeed an asset to the community being one of only a few Olympic sized pools in the State. The buildings associated with these facilities are also maintained all year round.

SHIRE OF THREE SPRINGS ECO TOURISM CARAVAN PARK

The Short Stay Caravan Park and Dump Point are used on a regular basis, bringing many positive comments from the travellers that use these facilities. These days it is not only during the Wildflower Season the park is used but also popular over the weekends of Three Springs Wildflower Show and Off Road Racing event. Due to the status as an “Eco” caravan park, fees are not permitted to be charged to the patrons, which does draw some criticism from the community, however majority of users donate the \$10 bond to Council and are more inclined to stay an extra day in Three Springs and contribute to the local businesses.

STAFF

In 2016/17 resignations were received from the following staff:-

Trent Smith
Nereida Costick
Maxine Philbey

Rosie Duffy
Alison Lucas
Kirsten Smith

Deborah Mercer
Jason Stoeckel

Shire of Three Springs welcomed the following staff in 2016/17

Joe Clifford
Joy Ridley

Brittany Cocking
Kaiden Reid

Joanne Gibbons Burnett

Three staff members Jess Couper, Jessica Parker and Tanya O'Donnell have each taken various lengths of weeks as Maternity Leave during 2016/17.

STATUTORY REPORTS

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 of 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. In October 2016, with the assistance of Moore Stephens staff a Strategic Resource plan was presented to Council for endorsement. The plan is part of Council's ongoing commitment to an integrated approach for future years. It provides Council and the community with a picture of Council's long term financial plan and asset management plan for the period 2016 – 2031 which have both been incorporate with the Strategic Resource Plan.

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. During 2017/18 the CBP is to be reviewed in its entirety, setting goals and objectives for the next four years.

Funding for the construction of an Early Childhood Learning Centre have been secured to the value of \$1.05m, made up of \$300,000 through Royalties for Regions MidWest Development Commission, \$250,000 from Lotterywest and \$500,000 in Council's reserve account. An application will be submitted in December for Building Better Regions Fund Round 2 for an additional \$500,000.

Both the Pathways and Roads programs continued during 2016/17, however Aged Care project and Gooch Street subdivision will be deferred. The cemetery redevelopment and heavy haulage by-pass will be assessed when the Strategic Community Plan and Corporate Business Plan are fully reviewed in 2017/18.

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 was presented to Council for endorsement in 2016/17 financial year and is available on Council website www.threesprings.wa.gov.au.

During the 2016/17 one application was received for information under the terms of the 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.

No Public Interest Disclosures were received during 2016/17.

NATIONAL COMPETITION POLICY (NCP)

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

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

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 was originally confirmed as 1st December 2017, however Shire of Three Springs has been granted an extension for the amended plan to be submitted, which is February 2018

DISABILITY ACCESS AND INCLUSION PLAN OUTCOMES

The Shire of Three Springs is required to comply with the provisions of the Disability Services Act (WA) 1993. A Disability Access and Inclusion Plan (DAIP) was updated in 2015 and submitted to the Disability Services Commission to ensure that it fulfils the requirements of the Disability Services Act (WA) 1993.

Each year Council's Disability Access and Inclusion Plan is tabled in parliament as part of the Disability Services Commission aggregated report. Shire of Three Springs 2016/17 Disability Access and Inclusion Plan progress report was lodged on 30th June 2017.

SECTION 5.121

In accordance with Section 5.121 of the Local Government Act 1995 Council maintains a register of complaints. This relates to conduct breaches by Council Members. None were recorded for the 2016/17 financial year

INFORMATION ON PAYMENTS TO EMPLOYEES

In accordance with Local Government (Administration) Regulation 19B Council reports that it has one employee entitled to an annual salary of \$100,000 or more. Shire of Three Springs has one employee with an annual salary entitlement between \$130,000 and \$140,000.

CONCLUSION

In conclusion my thanks go to Councillors and staff for their assistance, guidance and co-operation during the 2016/17 year. Three Springs faces some challenging times ahead in implementing projects included in the Strategic Resource Plan and the review of the Corporate Business Plan for the next four years. I believe 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 2017/18 and beyond.

SYLVIA YANDLE
CHIEF EXECUTIVE OFFICER

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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 supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2017 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

6TH

day of

DECEMBER

2017



Sylvia Yandle
Chief Executive Officer

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue				
Rates	22	1,988,240	1,992,495	1,938,294
Operating grants, subsidies and contributions	29	1,857,296	1,289,654	1,123,199
Fees and charges	28	304,837	257,470	252,341
Interest earnings	2(a)	47,841	60,596	51,239
Other revenue	2(a)	67,150	45,900	60,990
		<u>4,265,364</u>	<u>3,646,115</u>	<u>3,426,063</u>
Expenses				
Employee costs		(1,020,803)	(1,182,676)	(918,757)
Materials and contracts		(401,500)	(633,200)	(1,103,306)
Utility charges		(213,182)	(198,640)	(204,216)
Depreciation on non-current assets	2(a)	(1,660,840)	(972,424)	(1,641,000)
Interest expenses	2(a)	(16,025)	(24,544)	(22,242)
Insurance expenses		(158,687)	(174,381)	(162,917)
Other expenditure		(65,374)	(35,503)	(40,767)
		<u>(3,536,411)</u>	<u>(3,221,368)</u>	<u>(4,093,205)</u>
		728,953	424,747	(667,142)
Non-operating grants, subsidies and contributions	29	1,371,251	2,360,952	1,136,462
Profit on asset disposals	20	0	0	12,951
(Loss) on asset disposals	20	(33,312)	(11,950)	(65,001)
(Loss) on revaluation of infrastructure - footpaths	7(b)	(24,619)	0	0
Net result		<u>2,042,273</u>	<u>2,773,749</u>	<u>417,270</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(2,777,216)	0	358,637
Total other comprehensive income		<u>(2,777,216)</u>	<u>0</u>	<u>358,637</u>
Total comprehensive income		<u><u>(734,943)</u></u>	<u><u>2,773,749</u></u>	<u><u>775,907</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 2017

	NOTE	2017 \$	2017 Budget \$	2016 \$
Revenue	2(a)			
Governance		42,457	23,063	23,668
General purpose funding		3,472,557	2,985,785	2,449,401
Law, order, public safety		145,454	163,206	148,148
Health		17,717	25,100	24,001
Education and welfare		9,043	9,900	750
Housing		95,113	110,583	122,643
Community amenities		144,780	80,425	93,321
Recreation and culture		58,043	56,066	75,173
Transport		203,535	122,505	420,724
Economic services		10,377	20,232	11,621
Other property and services		66,288	49,250	56,613
		<u>4,265,364</u>	<u>3,646,115</u>	<u>3,426,063</u>
Expenses	2(a)			
Governance		(242,544)	(290,585)	(215,130)
General purpose funding		(43,188)	(38,207)	(26,744)
Law, order, public safety		(454,773)	(310,261)	(275,024)
Health		(126,618)	(178,218)	(232,191)
Education and welfare		(14,178)	(10,680)	(9,830)
Housing		(308,357)	(349,781)	(319,338)
Community amenities		(186,863)	(272,545)	(191,969)
Recreation and culture		(753,838)	(870,617)	(909,694)
Transport		(1,223,504)	(681,497)	(1,754,029)
Economic services		(106,769)	(134,246)	(86,741)
Other property and services		(59,754)	(60,187)	(50,273)
		<u>(3,520,386)</u>	<u>(3,196,824)</u>	<u>(4,070,963)</u>
Finance costs	2(a)			
Governance		0	(3,300)	0
Recreation and culture		(8,540)	(10,521)	(9,972)
Transport		(7,485)	(10,723)	(12,270)
		<u>(16,025)</u>	<u>(24,544)</u>	<u>(22,242)</u>
		728,953	424,747	(667,142)
Non-operating grants, subsidies and contributions	29	1,371,251	2,360,952	1,136,462
Profit on disposal of assets	20	0	0	12,951
(Loss) on disposal of assets	20	(33,312)	(11,950)	(65,001)
(Loss) on revaluation of infrastructure - footpaths	7(b)	(24,619)	0	0
Net result		<u>2,042,273</u>	<u>2,773,749</u>	<u>417,270</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	12	(2,777,216)	0	358,637
Total other comprehensive income		<u>(2,777,216)</u>	<u>0</u>	<u>358,637</u>
Total comprehensive income		<u><u>(734,943)</u></u>	<u><u>2,773,749</u></u>	<u><u>775,907</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 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,960,690	1,853,610
Trade and other receivables	4	106,224	457,548
Inventories	5	1,905	11,436
TOTAL CURRENT ASSETS		3,068,819	2,322,594
NON-CURRENT ASSETS			
Other receivables	4	19,717	18,227
Property, plant and equipment	6	14,332,393	14,879,184
Infrastructure	7	33,985,425	35,083,467
TOTAL NON-CURRENT ASSETS		48,337,535	49,980,878
TOTAL ASSETS		51,406,354	52,303,472
CURRENT LIABILITIES			
Trade and other payables	8	92,963	150,185
Current portion of long term borrowings	9	62,885	149,072
Provisions	10	171,860	117,875
TOTAL CURRENT LIABILITIES		327,708	417,132
NON-CURRENT LIABILITIES			
Long term borrowings	9	206,908	269,793
Provisions	10	41,366	51,232
TOTAL NON-CURRENT LIABILITIES		248,274	321,025
TOTAL LIABILITIES		575,982	738,157
NET ASSETS		50,830,372	51,565,315
EQUITY			
Retained surplus		27,646,814	26,027,171
Reserves - cash backed	11	1,256,105	833,475
Revaluation surplus	12	21,927,453	24,704,669
TOTAL EQUITY		50,830,372	51,565,315

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 2017**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2015		25,924,954	518,422	24,346,032	50,789,408
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
Balance as at 30 June 2016		26,027,171	833,475	24,704,669	51,565,315
Comprehensive income					
Net result		2,042,273	0	0	2,042,273
Changes on revaluation of assets	12	0	0	(2,777,216)	(2,777,216)
Total comprehensive income		2,042,273	0	(2,777,216)	(734,943)
Transfers from/(to) reserves		(422,630)	422,630	0	0
Balance as at 30 June 2017		27,646,814	1,256,105	21,927,453	50,830,372

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 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,981,116	2,004,495	1,947,071
Operating grants, subsidies and contributions		2,213,271	1,622,401	765,922
Fees and charges		304,837	257,470	252,341
Interest earnings		47,841	60,596	51,239
Goods and services tax		314,053	0	252,231
Other revenue		67,150	45,900	60,990
		<u>4,928,268</u>	<u>3,990,862</u>	<u>3,329,794</u>
Payments				
Employee costs		(973,412.00)	(1,178,504)	(898,558)
Materials and contracts		(450,062.00)	(568,988)	(1,075,933)
Utility charges		(213,182.00)	(198,640)	(204,216)
Interest expenses		(18,426.00)	(26,951)	(25,399)
Insurance expenses		(158,687.00)	(174,381)	(162,917)
Goods and services tax		(313,070.00)	0	(249,470)
Other expenditure		(65,374.00)	(35,503)	(40,767)
		<u>(2,192,213)</u>	<u>(2,182,967)</u>	<u>(2,657,260)</u>
Net cash provided by (used in) operating activities	13(b)	<u>2,736,055</u>	<u>1,807,895</u>	<u>672,534</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(866,912)	(2,339,596)	(658,518)
Payments for construction of infrastructure		(2,015,656)	(2,724,319)	(864,677)
Non-operating grants, subsidies and contributions		1,371,251	2,360,952	1,136,462
Proceeds from sale of fixed assets		31,414	20,000	141,151
Net cash provided by (used in) investment activities		<u>(1,479,903)</u>	<u>(2,682,963)</u>	<u>(245,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(149,072)	(149,073)	(142,098)
Net cash provided by (used in) financing activities		<u>(149,072)</u>	<u>(149,073)</u>	<u>(142,098)</u>
Net increase (decrease) in cash held		1,107,080	(1,024,141)	284,854
Cash at beginning of year		1,853,610	1,853,610	1,568,756
Cash and cash equivalents at the end of the year	13(a)	<u>2,960,690</u>	<u>829,469</u>	<u>1,853,610</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 2017**

	NOTE	2017 Actual \$	2017 Budget \$	2016 Actual \$
Net current assets at start of financial year - surplus/(deficit)		<u>1,345,633</u> 1,345,633	<u>1,359,234</u> 1,359,234	<u>1,072,482</u> 1,072,482
Revenue from operating activities (excluding rates)				
Governance		42,457	23,063	23,668
General purpose funding		1,484,317	993,290	511,107
Law, order, public safety		145,454	163,206	148,148
Health		17,717	25,100	24,001
Education and welfare		9,043	9,900	750
Housing		95,113	110,583	122,643
Community amenities		144,780	80,425	93,321
Recreation and culture		58,043	56,066	75,173
Transport		203,535	122,505	433,675
Economic services		10,377	20,232	11,621
Other property and services		<u>66,288</u>	<u>49,250</u>	<u>56,613</u>
		2,277,124	1,653,620	1,500,720
Expenditure from operating activities				
Governance		(242,544)	(293,885)	(221,528)
General purpose funding		(43,188)	(38,207)	(26,744)
Law, order, public safety		(454,773)	(310,261)	(275,024)
Health		(126,618)	(178,218)	(242,345)
Education and welfare		(14,178)	(10,680)	(9,830)
Housing		(329,415)	(349,781)	(319,338)
Community amenities		(186,863)	(272,545)	(191,969)
Recreation and culture		(762,378)	(881,138)	(919,666)
Transport		(1,267,862)	(704,170)	(1,814,748)
Economic services		(106,769)	(134,246)	(86,741)
Other property and services		<u>(59,754)</u>	<u>(60,185)</u>	<u>(50,273)</u>
		(3,594,342)	(3,233,316)	(4,158,206)
Operating activities excluded from budget				
(Profit) on disposal of assets	20	0	0	(12,951)
Loss on disposal of assets	20	33,312	11,950	65,001
Movement in deferred pensioner rates (non-current)		(1,490)	0	(2,138)
Movement in Leave Reserve (Added back)		3,342	0	3,514
Movement in employee benefit provisions (non-current)		(9,866)	0	650
Loss on Revaluation of Assets		24,619	0	0
Depreciation and amortisation on assets	2(a)	<u>1,660,840</u>	<u>972,424</u>	<u>1,641,000</u>
Amount attributable to operating activities		1,739,172	763,912	110,072
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,371,251	2,360,952	1,136,462
Proceeds from disposal of assets	20	31,414	20,000	141,151
Purchase of property, plant and equipment	6(b)	(866,912)	(2,339,596)	(658,518)
Purchase and construction of infrastructure	7(b)	<u>(2,015,656)</u>	<u>(2,724,319)</u>	<u>(864,677)</u>
Amount attributable to investing activities		(1,479,903)	(2,682,963)	(245,582)
FINANCING ACTIVITIES				
Repayment of debentures	21(a)	(149,072)	(149,073)	(142,098)
Transfers to reserves (restricted assets)	11	(422,630)	(224,371)	(315,053)
Transfers from reserves (restricted assets)	11	<u>0</u>	<u>300,000</u>	<u>0</u>
Amount attributable to financing activities		(571,702)	(73,444)	(457,151)
Surplus(deficiency) before general rates		<u>(312,433)</u>	<u>(1,992,495)</u>	<u>(592,661)</u>
Total amount raised from general rates	22	<u>1,988,240</u>	<u>1,992,495</u>	<u>1,938,294</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	23	<u>1,675,807</u>	<u>0</u>	<u>1,345,633</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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Goods and Services Tax (GST)

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

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

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

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

(b) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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.

(d) 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.

(e) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed Assets (Continued)

Land under control

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

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

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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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.

(g) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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.

(i) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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(n) 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.

(p) Rates, Grants, Donations and Other Contributions

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

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

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

(q) 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 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the 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.

(s) Rounding Off Figures

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

(t) Comparative Figures

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

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.

(u) Budget Comparative Figures

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

	Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(i)	AASB 9 Financial Instruments (incorporating AASB 2014-7 and AASB 2014-8)	December 2014	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Shire, it is not anticipated the Standard will have any material effect.
(ii)	AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<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>

Notes:

⁽¹⁾ 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 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services. <p>Whilst it is not possible to quantify the financial impact (or if it is material) of these key areas until the details of future transactions are known, they will all have application to the Shire's operations.</p>

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(w) 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.

Whilst many reflected consequential changes associate with the amendment of existing standards, the only new standard with material application is as follows:

<p>(i) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</p> <p>[AASB 10, 124 & 1049]</p>	<p>The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard has had a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management are deemed to be Key Management Personnel and resultant disclosures in accordance to AASB 124 have been necessary.</p>
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SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

2. REVENUE AND EXPENSES

	2017	2016
	\$	\$
(a) Net Result		
The Net result includes:		
(i) Charging as an expense:		
Auditors remuneration		
- Audit of the Annual Financial Report	23,836	29,523
- Other Services	2,300	2,000
Depreciation		
Buildings - non-specialised	141,261	0
Buildings - specialised	338,257	652,922
Furniture and equipment	21,246	11,120
Plant and equipment	388,059	243,663
Infrastructure - Roads	739,995	705,990
Infrastructure - Footpaths	5,135	3,908
Infrastructure - Parks and Ovals	17,737	14,247
Infrastructure - Airfield	9,150	9,150
	<u>1,660,840</u>	<u>1,641,000</u>
Interest expenses (finance costs)		
Debentures (refer Note 21 (a))	16,025	22,242
	<u>16,025</u>	<u>22,242</u>
Rental charges		
- Operating leases	17,994	17,994
	<u>17,994</u>	<u>17,994</u>
Other revenue		
Reimbursements and recoveries	56,009	36,690
Other	11,141	24,300
	<u>67,150</u>	<u>60,990</u>
	<u>1,660,840</u>	<u>1,641,000</u>
	2017	2017
	Actual	Budget
	\$	\$
Interest earnings		
- Reserve funds	22,430	24,171
- Other funds	14,181	25,500
Other interest revenue (refer note 27)	11,230	10,925
	<u>47,841</u>	<u>60,596</u>
	<u>47,841</u>	<u>60,596</u>
	2016	2016
	Actual	Actual
	\$	\$
	15,053	24,622
	11,564	51,239

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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

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 2017

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/15 \$	Received ⁽²⁾ 2015/16 \$	Expended ⁽³⁾ 2015/16 \$	Closing Balance ⁽¹⁾ 30/06/16 \$	Received ⁽²⁾ 2016/17 \$	Expended ⁽³⁾ 2016/17 \$	Closing Balance 30/06/17 \$
Governance							
CLGF - Admin Upgrade	234,828	0	0	234,828	0	(161,988)	72,840
Law, order, public safety							
FESA- Emergency Services	0	35,177	(35,177)	0	532,027	(532,027)	0
Education and welfare							
Senior's Week Grant	0	750	0	750	0	(750)	0
Community amenities							
Main Street Revitalisation	0	36,293	(36,293)	0	4,032	(4,032)	0
Lottery West -Heritage Trail	0	21,450	(21,450)	0	0	0	0
Community Grant		0	0	0	5,455	(1,796)	3,659
Recreation and culture							
Pool Grant - CPRPS	0	32,000	(32,000)	0	32,000	(32,000)	0
Transport							
Roads to Recovery	0	757,334	(623,432)	133,902	403,111	(537,013)	0
RRG Direct Grant	0	177,868	0	177,868	469,198	(647,066)	0
Country Pathways Grant	0	26,600	(26,600)	0	0	0	0
WANDRRA	0	311,773	(311,773)	0	0	0	0
Main Roads Regional Road Group	0	90,800	(90,800)	0	101,602	(101,602)	0
Economic services							
Grants - Arrino Gardens	19,734	0	(5,518)	14,216	0	(14,216)	0
Visitor Centre - Volunteers Grant	0	1,550	(1,550)	0	1,000	(1,000)	0
Total	254,562	1,491,595	(1,184,593)	561,564	1,548,425	(2,033,490)	76,499

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 2017

	Note	2017 \$	2016 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		1,628,086	458,571
Restricted		1,332,604	1,395,039
		<u>2,960,690</u>	<u>1,853,610</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	11	127,915	124,573
Plant Reserve	11	234,735	131,198
Housing & Development Reserve	11	120,276	78,172
Joint Venture Housing Reserve	11	157,577	119,173
Gravel Pit Reserve	11	46,531	45,315
Swimming Pool Equipment Reserve	11	35,984	35,044
Day Care Centre Reserve	11	508,083	300,000
Lovelock Sock Reserve	11	25,004	0
Unspent grants	2(c)	76,499	561,564
		<u>1,332,604</u>	<u>1,395,039</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		31,482	25,848
Sundry debtors		79,838	434,573
GST receivable		0	983
Provision for Doubtful debts		(5,096)	(3,856)
		<u>106,224</u>	<u>457,548</u>
Non-current			
Rates outstanding - pensioners		19,717	18,227
		<u>19,717</u>	<u>18,227</u>
Information with respect the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:			
Rates outstanding		<u>31,482</u>	<u>25,848</u>
Includes:			
Past due and not impaired		4,759	1,309
Impaired		0	0
Sundry debtors		<u>79,838</u>	<u>434,573</u>
Includes:			
Past due and not impaired		2,856	47,956
Impaired		2,955	2,944
5. INVENTORIES			
Current			
Fuel and Materials		1,905	11,436
		<u>1,905</u>	<u>11,436</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold land at:		
- Independent valuation 2013 - Level 2	0	877,000
- Independent valuation 2017 - level 2	430,000	0
- Independent valuation 2017 - level 3	364,000	0
- Management valuation 2017 - level 3	50,262	0
- Additions after valuation - cost	3,459	68,463
	<u>847,721</u>	<u>945,463</u>
	<u>847,721</u>	<u>945,463</u>
Buildings - non-specialised at:		
- Independent valuation 2013 - level 2	0	0
- Independent valuation 2017 - level 2	2,967,682	0
- Additions after valuation - cost	10,883	0
Less: accumulated depreciation	<u>(141,261)</u>	<u>0</u>
	2,837,304	0
Buildings - specialised at:		
- Independent valuation 2013 - level 2	0	12,016,543
- Independent valuation 2017 - level 3	8,137,500	0
- Additions after valuation - cost	215,346	1,561,419
Less: accumulated depreciation	<u>(337,513)</u>	<u>(2,116,377)</u>
	8,015,333	11,461,585
	<u>10,852,637</u>	<u>11,461,585</u>
Total land and buildings	<u>11,700,358</u>	<u>12,407,048</u>
Furniture and equipment at:		
- Management valuation 2016 - level 2	33,982	33,982
- Management valuation 2016 - level 3	101,528	128,880
- Additions after valuation - cost	3,395	0
Less: accumulated depreciation	<u>(21,246)</u>	<u>0</u>
	117,659	162,862
Plant and equipment at:		
- Management valuation 2016 - level 2	2,106,143	2,291,693
- Management valuation 2016 - level 3	16,531	17,581
- Additions after valuation - cost	611,981	0
Less: accumulated depreciation	<u>(242,127)</u>	<u>0</u>
	2,492,528	2,309,274
Work In Progress	<u>21,848</u>	<u>0</u>
	21,848	0
	<u>14,332,393</u>	<u>14,879,184</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 2017

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 \$	Change in Input Levels \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold land	945,463	3,459		(101,201)	0	0	0	0	0	847,721
Land - vested in and under the control of Council	0									0
Total land	945,463	3,459	0	(101,201)	0	0	0	0	0	847,721
Buildings - non-specialised	0	22,614	(21,058)	(204,212)	0	3,142,160	0	(141,261)	39,061	2,837,304
Buildings - specialised	11,461,585	225,463	(3,000)	(205,533)	0	(3,142,160)	0	(338,257)	17,235	8,015,333
Total buildings	11,461,585	225,463	(3,000)	(205,533)	0	(3,142,160)	0	(338,257)	17,235	8,015,333
Total land and buildings	12,407,048	251,536	(24,058)	(510,946)	0	0	0	(479,518)	56,296	11,700,358
Furniture and equipment	162,862	3,395	0	0	0	0	0	(21,246)	(27,352)	117,659
Plant and equipment	2,309,274	611,981	(40,668)	0	0	0	0	(388,059)	0	2,492,528
Work In Progress	0	0	0	0	0	0	0		21,848	21,848
Total property, plant and equipment	14,879,184	866,912	(64,726)	(510,946)	0	0	0	(888,823)	50,792	14,332,393

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	July 2016	Price per square metre
Land - freehold land	3	Market approach using recent observable market data for similar properties	Independent registered valuers	July 2016	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	July 2016	Price per square metre
Buildings - specialised	3	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	July 2016	Improvements to buildings using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Plant and equipment					
- Management valuation 2016	2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Price per unit/item
- Management valuation 2016	3	Cost approach using depreciated replacement cost	Management Valuation	June 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 was a change 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 as there was new market data available which is more representative of the fair value in those circumstances.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - Roads		
- Management valuation 2013 - level 3	0	33,177,598
- Management valuation 2017 - level 3	32,031,145	0
- Additions after valuation - cost	1,879,426	3,410,580
Less: accumulated depreciation	<u>(739,995)</u>	<u>(2,290,763)</u>
	33,170,576	34,297,415
Infrastructure - Footpaths		
- Management valuation 2013 - level 3	0	78,006
- Management valuation 2017 - level 3	200,017	0
- Additions after valuation - cost	32,620	154,438
Less: accumulated depreciation	<u>(5,135)</u>	<u>(7,808)</u>
	227,502	224,636
Infrastructure - Parks and Ovals		
- Independent valuation 2015 - level 3	245,000	245,000
- Management valuation 2015 - level 3	59,496	59,496
- Additions after valuation - cost	20,109	38,607
Less: accumulated depreciation	<u>(31,984)</u>	<u>(14,247)</u>
	292,621	328,856
Infrastructure - Airfield		
- Management valuation 2015 - level 3	228,000	228,000
Less: accumulated depreciation	<u>(18,300)</u>	<u>(9,150)</u>
	209,700	218,850
Infrastructure - WIP		
Work In Progress	<u>85,026</u>	<u>13,710</u>
	85,026	13,710
	<u><u>33,985,425</u></u>	<u><u>35,083,467</u></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 2017

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	34,297,415	1,950,742	0	(2,266,270)	0	0	(739,995)	(71,316)	33,170,576
Infrastructure - Footpaths	224,636	32,620	0		(24,619)	0	(5,135)	0	227,502
Infrastructure - Parks and Ovals	328,856	32,294	0	0	0	0	(17,737)	(50,792)	292,621
Infrastructure - Airfield	218,850	0	0	0	0	0	(9,150)	0	209,700
Infrastructure - WIP	13,710	0	0	0	0	0	0	71,316	85,026
Total infrastructure	35,083,467	2,015,656	0	(2,266,270)	(24,619)	0	(772,017)	(50,792)	33,985,425

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2015	residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airfield	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2015	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 2017

	2017	2016
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	74,383	120,656
Accrued interest on debentures	2,435	4,836
Accrued salaries and wages	10,565	8,343
ATO liabilities	1,050	0
Accrued Expenditure	0	11,374
Excess Rates	4,530	4,976
	<u>92,963</u>	<u>150,185</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	62,885	149,072
	<u>62,885</u>	<u>149,072</u>
Non-current		
Secured by floating charge		
Debentures	206,908	269,793
	<u>206,908</u>	<u>269,793</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2016			
Current provisions	60,926	56,949	117,875
Non-current provisions	0	51,232	51,232
	<u>60,926</u>	<u>108,181</u>	<u>169,107</u>
Additional provision	46,364	17,680	64,044
Amounts used	0	(19,925)	(19,925)
Balance at 30 June 2017	<u>107,290</u>	<u>105,936</u>	<u>213,226</u>
Comprises			
Current	107,290	64,570	171,860
Non-current	0	41,366	41,366
	<u>107,290</u>	<u>105,936</u>	<u>213,226</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

11. RESERVES - CASH BACKED

	Actual 2017 Opening Balance \$	Actual 2017 Transfer to \$	Actual 2017 Transfer (from) \$	Actual 2017 Closing Balance \$	Budget 2017 Opening Balance \$	Budget 2017 Transfer to \$	Budget 2017 Transfer (from) \$	Budget 2017 Closing Balance \$	Actual 2016 Opening Balance \$	Actual 2016 Transfer to \$	Actual 2016 Transfer (from) \$	Actual 2016 Closing Balance \$
Leave Reserve	124,573	3,342	0	127,915	124,573	3,613		128,186	121,059	3,514	0	124,573
Plant Reserve	131,198	103,537	0	234,735	131,198	103,805		235,003	127,496	3,702	0	131,198
Housing & Development Reserve	78,172	42,104	0	120,276	78,172	42,267		120,439	75,966	2,206	0	78,172
Joint Venture Housing Reserve	119,173	38,404	0	157,577	119,173	38,656		157,829	115,810	3,363	0	119,173
Gravel Pit Reserve	45,315	1,216	0	46,531	45,315	1,314		46,629	44,036	1,279	0	45,315
Swimming Pool Equipment Reserve	35,044	940	0	35,984	35,044	1,016		36,060	34,055	989	0	35,044
Day Care Centre Reserve	300,000	208,083	0	508,083	300,000	8,700	(300,000)	8,700	0	300,000	0	300,000
Lovelock Sock Reserve	0	25,004	0	25,004	0	25,000		25,000	0	0	0	0
	833,475	422,630	0	1,256,105	833,475	224,371	(300,000)	757,846	518,422	315,053	0	833,475

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:

Name of Reserve	Anticipated date of use	Purpose of the reserve
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 & 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-18	To be used to fund upgrade of Child Care building.
Lovelock Sock Reserve	Ongoing	To be used to fund upgrade of potable Water Infrastructure

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 projects 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 2017

12. REVALUATION SURPLUS

	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	Opening	Revaluation	Revaluation	Total	Closing	Opening	Revaluation	Revaluation	Total	Closing
	Balance	Increment	(Decrement)	Movement on	Balance	Balance	Increment	(Decrement)	Movement on	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	8,504,631	0	(510,946)	(510,946)	7,993,685	8,504,631	0	0	0	8,504,631
Plant and equipment	617,901	0	0	0	617,901	259,264	358,637	0	358,637	617,901
Infrastructure - Roads	15,400,571	0	(2,266,270)	(2,266,270)	13,134,301	15,400,571	0	0	0	15,400,571
Infrastructure - Airfield	181,566	0	0	0	181,566	181,566	0	0	0	181,566
	24,704,669	0	(2,777,216)	(2,777,216)	21,927,453	24,346,032	358,637	0	358,637	24,704,669

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 2017

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:

	2017	2017	2016
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>2,960,690</u>	<u>829,469</u>	<u>1,853,610</u>

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

Net result	2,042,273	2,773,749	417,270
Non-cash flows in Net result:			
Depreciation	1,660,840	972,424	1,641,000
(Profit)/Loss on sale of asset	33,312	11,950	52,050
Loss on revaluation of fixed assets	24,619	0	0
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	349,834	344,747	(345,739)
(Increase)/Decrease in inventories	9,531	0	(4,078)
Increase/(Decrease) in payables	(57,222)	65,977	36,637
Increase/(Decrease) in provisions	44,119	0	11,856
Grants contributions for the development of assets	<u>(1,371,251)</u>	<u>(2,360,952)</u>	<u>(1,136,462)</u>
Net cash from operating activities	<u>2,736,055</u>	<u>1,807,895</u>	<u>672,534</u>

	2017	2016
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	11,000	11,000
Credit card balance at balance date	<u>(26)</u>	<u>(617)</u>
Total amount of credit unused	<u>10,974</u>	<u>10,383</u>
Loan facilities		
Loan facilities - current	62,885	149,072
Loan facilities - non-current	<u>206,908</u>	<u>269,793</u>
Total facilities in use at balance date	<u>269,793</u>	<u>418,865</u>
Unused loan facilities at balance date	<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 2017

14. CONTINGENT LIABILITIES

There are no known contingent liabilities.

	2017	2016
	\$	\$
15. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	14,995	17,994
- later than one year but not later than five years	0	14,995
	<u>14,995</u>	<u>32,989</u>

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	29,148	683,433
- plant & equipment purchases	156,510	0
Payable:		
- not later than one year	185,658	683,433

The capital expenditure project outstanding at the end of the current reporting period represents the refurbishment of buildings and purchase of a new Backhoe (the prior year commitment was for the construction and Re-alignment of Three Springs-Eneabba-Neburu Road).

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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:

	2017	2016
	\$	\$
Non-current assets		
Kadathinni Units - Aged Residents	142,674	180,359
Less: accumulated depreciation	<u>(4,280)</u>	<u>(15,725)</u>
	<u><u>138,394</u></u>	<u><u>164,634</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:-

	2017	2016
	\$	\$
Non-current assets		
Land and buildings	15,308	51,420
Less: accumulated depreciation	<u>(1,531)</u>	<u>(5,962)</u>
	<u><u>13,777</u></u>	<u><u>45,458</u></u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2017	2016
	\$	\$
Governance	1,238,339	1,339,339
General purpose funding	553,896	44,075
Law, order, public safety	1,137,490	897,195
Health	1,610,168	1,661,090
Education and welfare	515,494	318,861
Housing	3,117,138	3,345,742
Community amenities	319,444	400,255
Recreation and culture	4,991,044	4,673,234
Transport	34,384,716	36,068,587
Economic services	212,481	241,421
Other property and services	1,347,479	1,895,256
Unallocated	<u>1,978,665</u>	<u>1,418,417</u>
	<u><u>51,406,354</u></u>	<u><u>52,303,472</u></u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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	2017	2016	2015
18. FINANCIAL RATIOS			
Current ratio	8.69	3.10	3.59
Asset sustainability ratio	1.17	0.71	1.10
Debt service cover ratio	14.22	5.74	9.90
Operating surplus ratio	0.28	(0.31)	0.05
Own source revenue coverage ratio	0.68	0.55	0.58

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 53 of this document.

(b) 2017

- (ii) The Liquidity Ratio, Debt Service Cover ratio and Operating Surplus ratio disclosed above, were distorted by the early receipt of half of the allocation of the 2017-18 Financial Assistance Grant in June 2017. The early payment of the grant increased operating revenue in 2017 by \$ 504,479.
- (ii) The Debt Service Cover and Operating Surplus ratios as disclosed above were also distorted by an item of expense being the loss on revaluation of fixed assets amounting to \$24,916.

(c) 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. The early payment of the grant decreased operating revenue in 2016, by \$481,793.

(d) 2015

- (i) The Current, Debt Service Cover and Operating Surplus ratios disclosed above, were distorted by the early payment of 2015/16 FAGS in June 2015. The early payment of the grant increased operating revenue by \$481,793.
- (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.

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:

	2017	2016	2015
Current ratio	6.17	3.10	1.70
Debt service cover ratio	11.32	8.68	8.03
Operating surplus ratio	0.08	-0.10	-0.10

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

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 2016 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2017 \$
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	1,722	262,523	(263,047)	1,198
Three Springs LCDC	4,334	0	0	4,334
Trust - East TS Catchment	2,014	0	0	2,014
BRB Levy	0	56		56
Housing Bonds	0	400	(400)	0
Community Bus Bond	0	100		100
	<u>97,298</u>			<u>96,930</u>

20. DISPOSALS OF ASSETS - 2016/17 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 \$
Building								
Housing								
36 Christine St (Units)	21,058	0	0	(21,058)	0	0	0	0
Transport								
Fuel Depot	3,000	0	0	(3,000)	0	0	0	0
Plant and Equipment								
Transport								
Mitsubishi Triton	7,112	5,450	0	(1,662)	8,750	5,000	0	(3,750)
Case 58OLE Backhoe					23,200	15,000	0	(8,200)
Transport Water Tank	945	0	0	(945)	0	0	0	0
Isuzu Fire Truck	25,964	25,964	0	0	0	0	0	0
Matrick Truck Trailer	6,647	0	0	(6,647)	0	0	0	0
	<u>64,726</u>	<u>31,414</u>	<u>0</u>	<u>(33,312)</u>	<u>31,950</u>	<u>20,000</u>	<u>0</u>	<u>(11,950)</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1 July 2016	New Loans	Principal Repayments		Principal 30 June 2017		Interest Repayments	
	\$	\$	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation and culture								
Loan 156 - Swimming Pool	49,950	0	15,784	15,784	34,166	34,166	2,242	2,796
Loan 160 - Swimming Pool	165,944	0	18,043	18,043	147,901	147,901	6,298	6,314
Transport								
Loan 157 - Grader	113,610	0	25,884	25,884	87,726	87,726	6,020	6,574
Loan 159 - Prime Mover	89,361	0	89,361	89,361	0	0	1,465	3,088
	<u>418,865</u>	<u>0</u>	<u>149,072</u>	<u>149,072</u>	<u>269,793</u>	<u>269,793</u>	<u>16,025</u>	<u>18,772</u>

All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2016/17

The Shire did not take up any new debentures during the year ended 30 June 2017.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2017.

(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 2017

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
GRV - Residential	0.1161	206	1,990,280	231,072	(786)	62	230,348	231,129	0	0	231,129
GRV - Mining	0.2322	1	248,500	57,702	0	0	57,702	57,716	0	0	57,716
Unimproved value valuations											
UV - Rural & Arrino Town	0.0162	183	100,865,700	1,634,024	(73)	0	1,633,951	1,637,353	0	0	1,637,353
UV - Mining	0.1192	14	338,534	40,353	(74)	0	40,279	40,337	0	0	40,337
Sub-Total		404	103,443,014	1,963,151	(933)	62	1,962,280	1,966,535	0	0	1,966,535
Minimum payment	Minimum \$										
Gross rental value valuations											
GRV - Residential	440	23	13,919	10,120	0	0	10,120	10,120	0	0	10,120
Unimproved value valuations											
UV - Rural & Arrino Town	440	23	307,400	10,120	0	0	10,120	10,120	0	0	10,120
UV - Mining	440	13	25,459	5,720	0	0	5,720	5,720	0	0	5,720
Sub-Total		59	346,778	25,960	0	0	25,960	25,960	0	0	25,960
		463	103,789,792	1,989,111	(933)	62	1,988,240	1,992,495	0	0	1,992,495
Discounts/concessions (refer note 26)							0				0
Total amount raised from general rate							1,988,240				1,992,495

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

23. NET CURRENT ASSETS

Composition of net current assets

	2017 (30 June 2017 Carried Forward) \$	2017 (1 July 2016 Brought Forward) \$	2016 (30 June 2016 Carried Forward) \$
Surplus/(Deficit) 1 July 16 brought forward	1,675,807	1,345,633	1,345,633
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	1,628,086	458,571	458,571
Restricted	1,332,604	1,395,039	1,395,039
Receivables			
Rates outstanding	31,482	25,848	25,848
Sundry debtors	79,838	434,573	434,573
GST receivable	0	983	983
Provision for Doubtful debts	(5,096)	(3,856)	(3,856)
Inventories			
Fuel and Materials	1,905	11,436	11,436
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(74,383)	(120,655)	(120,655)
Accrued interest on debentures	(2,435)	(4,836)	(4,836)
Accrued salaries and wages	(10,565)	(8,343)	(8,343)
ATO liabilities	(1,050)	0	0
Accrued Expenditure	0	(11,374)	(11,374)
Excess Rates	(4,530)	(4,976)	(4,976)
Current portion of long term borrowings			
Secured by floating charge	(62,885)	(149,072)	(149,072)
Provisions			
Provision for annual leave	(107,290)	(60,926)	(60,926)
Provision for long service leave	(64,570)	(56,949)	(56,949)
Unadjusted net current assets	2,741,111	1,905,463	1,905,463
Adjustments			
Less: Reserves - restricted cash	(1,256,105)	(833,475)	(833,475)
Add: Current portion of long term borrowings	62,885	149,072	149,072
Secured by floating charge			
Add: Component of Leave Liability not required to be funded	127,916	124,573	124,573
Adjusted net current assets - surplus/(deficit)	1,675,807	1,345,633	1,345,633

Difference

There was no difference between the surplus/(deficit) 1 July 2016 brought forward position used in the 2017 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2016 audited financial report.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

24. SPECIFIED AREA RATE - 2016/17 FINANCIAL YEAR

No specified area rates were imposed by the Shire during the year ended 2017.

25. SERVICE CHARGES - 2016/17 FINANCIAL YEAR

No service charges were imposed by the Shire during the year ended 2017.

**26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2016/17 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
- Pool Admission
- Community Hall Hire

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

27. INTEREST CHARGES AND INSTALMENTS - 2016/17 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	07-Oct-16	0	0%	11%
Option Two				
First Instalment	07-Oct-16	10	0%	11%
Second Instalment	09-Dec-16	10	5.5%	11%
Option Three				
First Instalment	07-Oct-16	0	5.5%	11%
Second Instalment	09-Dec-16	10	5.5%	11%
Third Instalment	10-Feb-17	10	5.5%	11%
Fourth Instalment	13-Apr-17	10	5.5%	11%
			Revenue \$	Budgeted Revenue \$
Interest earned on unpaid rates			5,262	7,000
Interest earned on instalment plan			5,811	3,800
Interest earned on unpaid ESL			157	125
Admin Charges on instalment plan			2,040	1,870
			13,270	12,795

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NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

	2017	2016
	\$	\$
28. FEES & CHARGES		
Governance	13,554	9,672
General purpose funding	6,040	5,840
Law, order, public safety	3,853	2,866
Health	16,438	16,163
Housing	86,105	103,702
Community amenities	154,273	80,061
Recreation and culture	13,306	15,233
Economic services	8,050	8,286
Other property and services	3,218	10,518
	<u>304,837</u>	<u>252,341</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:

	2017	2016
	\$	\$
By Nature or Type:		
Operating grants, subsidies and contributions		
Governance	15,767	10,440
General purpose funding	1,452,807	469,081
Law, order, public safety	141,601	145,282
Health	1,279	7,838
Education and welfare	960	750
Housing	3,700	0
Community amenities	(9,939)	0
Recreation and culture	43,797	58,513
Transport	189,107	404,248
Economic services	1,000	2,056
Other property and services	17,217	24,991
	<u>1,857,296</u>	<u>1,123,199</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	494,910	0
Community amenities	4,032	174,660
Transport	872,309	961,802
	<u>1,371,251</u>	<u>1,136,462</u>
	<u>3,228,547</u>	<u>2,259,661</u>

30. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>19</u>	<u>18</u>
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31. ELECTED MEMBERS REMUNERATION

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

	2017	2017	2016
	\$	Budget	\$
Meeting Fees	10,428	11,625	11,748
President's allowance	7,500	7,500	7,500
Deputy President's allowance	1,375	1,375	1,375
	<u>19,303</u>	<u>20,500</u>	<u>20,623</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

32. RELATED PARTY TRANSACTIONS

Key Management Personnel (KMP) Compensation Disclosure

2017
\$

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

Short-term employee benefits	357,476
Post-employment benefits	38,780
Other long-term benefits	0
Termination benefits	0
	<u>396,256</u>

Short-term employee benefits

These amounts include all salary, paid leave, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found at Note 31.

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Entities subject to significant influence by the Shire

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

iii. Joint venture entities accounted for under the equity method

The Shire has interest in joint housing schemes with Department of Housing and Works. The interest in the joint venture entity is accounted for in these financial statements using the equity method of accounting. For details of interests held in joint venture entities, refer to Note 16.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017**

32. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2017
	\$
Associated companies/individuals:	
Sale of goods and services	0
Purchase of goods and services	46,952
Joint venture entities:	
Distributions received from joint venture entities	0
Amounts outstanding from related parties:	
Trade and other receivables	14,754
Amounts payable to related parties:	
Trade and other payables	0

Note: Transitional provisions contained within AASB 2015-6 do not require comparative related party disclosures to be presented in the period of initial application. As a consequence, only disclosures in relation to the current year have been presented.

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2016/2017 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the 2016/2017 financial year.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,960,690	1,853,610	2,960,690	1,853,610
Receivables	125,941	475,775	125,941	475,775
	<u>3,086,631</u>	<u>2,329,385</u>	<u>3,086,631</u>	<u>2,329,385</u>
Financial liabilities				
Payables	92,963	150,185	92,963	150,185
Borrowings	269,793	418,865	284,818	445,906
	<u>362,756</u>	<u>569,050</u>	<u>377,781</u>	<u>596,091</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. 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.

	2017	2016
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	29,607	18,536
- Statement of Comprehensive Income	29,607	18,536

Notes:

⁽¹⁾ 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 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2017	2016
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of other receivables		
- Current	93%	88%
- Overdue	7%	12%

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2017</u>					
Payables	92,963	0	0	92,963	92,963
Borrowings	75,048	180,576	48,713	304,337	269,793
	<u>168,011</u>	<u>180,576</u>	<u>48,713</u>	<u>397,300</u>	<u>362,756</u>
<u>2016</u>					
Payables	150,185	0	0	150,185	150,185
Borrowings	167,498	231,267	73,070	471,835	418,865
	<u>317,683</u>	<u>231,267</u>	<u>73,070</u>	<u>622,020</u>	<u>569,050</u>

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year ended 30 June 2017</u>								
Borrowings								
Fixed rate								
Debentures	0	34,166	87,726	0	0	147,901	269,793	4.810%
Weighted average Effective interest rate		5.32%	6.13%			3.91%		
<u>Year ended 30 June 2016</u>								
Borrowings								
Fixed rate								
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%		

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

Opinion on the Audit of the Financial Report

We have audited the accompanying financial report of the Shire of Three Springs (the Shire), which comprises the statement of financial position as at 30 June 2017, 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.

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 2017 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).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 54 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.

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

MOORE STEPHENS

Other Information

Management is responsible for the other information. The other information comprises the information included in the Shire's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Council for the Financial Report

Management is responsible for the preparation of this 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.

In preparing the financial report, management is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

MOORE STEPHENS
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 6 December 2017
Perth, WA

**SHIRE OF THREE SPRINGS
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2017**

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.

	2017	2016	2015
Asset consumption ratio	0.47	0.49	0.44
Asset renewal funding ratio	1.68	1.76	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	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$