



**ADOPTED
ANNUAL BUDGET
2017 - 2018**

SHIRE OF THREE SPRINGS
BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

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**SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue				
Rates	8	2,039,712	1,988,240	1,992,495
Operating grants, subsidies and contributions	15	975,802	1,848,145	1,289,654
Fees and charges	14	245,555	304,837	257,470
Interest earnings	2(a)	58,546	47,841	60,596
Other revenue	2(a)	49,750	65,803	45,900
		<u>3,369,365</u>	<u>4,254,866</u>	<u>3,646,115</u>
Expenses				
Employee costs		(1,184,567)	(980,762)	(1,182,676)
Materials and contracts		(1,284,944)	(371,514)	(633,200)
Utility charges		(230,515)	(213,182)	(198,640)
Depreciation on non-current assets	2(a)	(972,894)	(889,799)	(972,424)
Interest expenses	2(a)	(12,163)	(16,012)	(24,544)
Insurance expenses		(166,037)	(158,687)	(174,381)
Other expenditure		(43,233)	(65,374)	(35,503)
		<u>(3,894,353)</u>	<u>(2,695,330)</u>	<u>(3,221,368)</u>
		(524,988)	1,559,536	424,747
Non-operating grants, subsidies and contributions	15	1,745,189	1,371,251	2,360,952
Profit on asset disposals	6	0	0	0
Loss on asset disposals	6	(10,530)	(22,719)	(11,950)
Loss on revaluation of non current assets		0	0	0
Net result		<u>1,209,671</u>	<u>2,908,068</u>	<u>2,773,749</u>
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u>1,209,671</u>	<u>2,908,068</u>	<u>2,773,749</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 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue (refer notes 1,2,8,10 to 15)				
Governance		27,947	42,457	23,063
General purpose funding		2,516,951	3,472,557	2,985,785
Law, order, public safety		45,500	134,956	163,206
Health		19,500	17,717	25,100
Education and welfare		13,900	9,043	9,900
Housing		108,625	95,113	110,583
Community amenities		78,100	144,780	80,425
Recreation and culture		54,599	58,043	56,066
Transport		446,580	203,535	122,505
Economic services		11,813	10,377	20,232
Other property and services		45,850	66,288	49,250
		<u>3,369,365</u>	<u>4,254,866</u>	<u>3,646,115</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(287,125)	(238,115)	(290,585)
General purpose funding		(35,979)	(41,474)	(38,207)
Law, order, public safety		(239,400)	(297,824)	(310,261)
Health		(109,640)	(132,567)	(178,218)
Education and welfare		(11,850)	(5,059)	(10,680)
Housing		(345,627)	(318,560)	(349,781)
Community amenities		(290,750)	(186,013)	(272,545)
Recreation and culture		(947,670)	(829,808)	(870,617)
Transport		(1,459,605)	(484,357)	(681,497)
Economic services		(110,076)	(104,903)	(134,246)
Other property and services		(44,468)	(40,638)	(60,187)
		<u>(3,882,190)</u>	<u>(2,679,318)</u>	<u>(3,196,824)</u>
Finance costs (refer notes 2 & 7)				
Governance		0	0	(3,300)
Recreation and culture		(7,200)	(8,540)	(10,521)
Transport		(4,963)	(7,472)	(10,723)
		<u>(12,163)</u>	<u>(16,012)</u>	<u>(24,544)</u>
		(524,988)	1,559,536	424,747
Non-operating grants, subsidies and contributions	15	1,745,189	1,371,251	2,360,952
Profit on disposal of assets	6	0	0	0
(Loss) on disposal of assets	6	(10,530)	(22,719)	(11,950)
Loss on revaluation of non current assets		0	0	0
		<u>1,734,659</u>	<u>1,348,532</u>	<u>2,349,002</u>
Net result		1,209,671	2,908,068	2,773,749
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>1,209,671</u>	<u>2,908,068</u>	<u>2,773,749</u>

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

**SHIRE OF THREE SPRINGS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,054,712	1,981,993	2,004,495
Operating grants, subsidies and contributions		1,011,802	2,214,792	1,622,401
Fees and charges		245,555	304,837	257,470
Interest earnings		58,546	47,841	60,596
Goods and services tax		250,000	250,983	0
Other revenue		49,750	65,803	45,900
		<u>3,670,365</u>	<u>4,866,249</u>	<u>3,990,862</u>
Payments				
Employee costs		(1,184,567)	(974,420)	(1,178,504)
Materials and contracts		(1,314,473)	(419,879)	(568,988)
Utility charges		(230,515)	(213,182)	(198,640)
Interest expenses		(12,663)	(18,426)	(26,951)
Insurance expenses		(166,037)	(158,687)	(174,381)
Goods and services tax		(250,000)	(250,000)	0
Other expenditure		(43,233)	(65,374)	(35,503)
		<u>(3,201,488)</u>	<u>(2,099,968)</u>	<u>(2,182,967)</u>
Net cash provided by (used in) operating activities	3(b)	<u>468,877</u>	<u>2,766,281</u>	<u>1,807,895</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of land held for resale	5	0	0	0
Payments for purchase of property, plant & equipment	5	(2,278,451)	(879,118)	(2,339,596)
Payments for construction of infrastructure	5	(2,165,356)	(2,007,711)	(2,724,319)
Non-operating grants, subsidies and contributions used for the development of assets		1,745,189	1,371,251	2,360,952
Proceeds from sale of plant & equipment	6	80,000	5,450	20,000
Net cash provided by (used in) investing activities		<u>(2,618,618)</u>	<u>(1,510,128)</u>	<u>(2,682,963)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(62,885)	(149,073)	(149,073)
Proceeds from new borrowings	7	0	0	0
Net cash provided by (used in) financing activities		<u>(62,885)</u>	<u>(149,073)</u>	<u>(149,073)</u>
Net increase (decrease) in cash held		(2,212,626)	1,107,080	(1,024,141)
Cash at beginning of year		<u>2,960,690</u>	<u>1,853,610</u>	<u>1,853,610</u>
Cash and cash equivalents at the end of the year	3(a)	<u><u>748,064</u></u>	<u><u>2,960,690</u></u>	<u><u>829,469</u></u>

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

**SHIRE OF THREE SPRINGS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net current assets at start of financial year - surplus/(deficit)	4	<u>1,714,991</u>	<u>1,345,634</u>	<u>1,359,234</u>
		1,714,991	1,345,634	1,359,234
Revenue from operating activities (excluding rates)				
Governance		27,947	42,457	23,063
General purpose funding		477,239	1,484,317	993,290
Law, order, public safety		45,500	134,956	163,206
Health		19,500	17,717	25,100
Education and welfare		13,900	9,043	9,900
Housing		108,625	95,113	110,583
Community amenities		78,100	144,780	80,425
Recreation and culture		54,599	58,043	56,066
Transport		446,580	203,535	122,505
Economic services		11,813	10,377	20,232
Other property and services		45,850	66,288	49,250
		<u>1,329,653</u>	<u>2,266,626</u>	<u>1,653,620</u>
Expenditure from operating activities				
Governance		(288,039)	(238,115)	(293,885)
General purpose funding		(35,979)	(41,474)	(38,207)
Law, order, public safety		(239,400)	(297,824)	(310,261)
Health		(109,640)	(132,567)	(178,218)
Education and welfare		(11,850)	(5,059)	(10,680)
Housing		(345,627)	(339,617)	(349,781)
Community amenities		(290,750)	(186,013)	(272,545)
Recreation and culture		(954,870)	(838,348)	(881,138)
Transport		(1,474,184)	(493,491)	(704,170)
Economic services		(110,076)	(104,903)	(134,246)
Other property and services		(44,466)	(40,638)	(60,185)
		<u>(3,904,881)</u>	<u>(2,718,049)</u>	<u>(3,233,316)</u>
Operating activities excluded from budget				
(Profit) on asset disposals	6	0	0	0
Loss on disposal of assets	6	10,530	22,719	11,950
Depreciation on assets	2(a)	972,894	889,799	972,424
Movement in Leave reserve (written back)		0	3,342	0
Movement in Deferred Pensioner Rates/ESL (non-current)		0	(1,489)	0
Amount attributable to operating activities		123,187	1,808,582	763,912
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	1,745,189	1,371,251	2,360,952
Purchase land held for resale	5	0	0	0
Purchase property, plant and equipment	5	(2,278,451)	(879,118)	(2,339,596)
Purchase and construction of infrastructure	5	(2,165,356)	(2,007,711)	(2,724,319)
Proceeds from disposal of assets	6	80,000	5,450	20,000
Amount attributable to investing activities		(2,618,618)	(1,510,128)	(2,682,963)
FINANCING ACTIVITIES				
Repayment of borrowings	7	(62,885)	(149,073)	(149,073)
Proceeds from new borrowings	7	0	0	0
Transfers to cash backed reserves (restricted assets)	9	(81,396)	(422,630)	(224,371)
Transfers from cash backed reserves (restricted assets)	9	600,000	0	300,000
Amount attributable to financing activities		455,719	(571,703)	(73,444)
Budgeted deficiency before general rates		<u>(2,039,712)</u>	<u>(273,249)</u>	<u>(1,992,495)</u>
Estimated amount to be raised from general rates	8	<u>2,039,712</u>	<u>1,988,240</u>	<u>1,992,495</u>
Net current assets at end of financial year - surplus/(deficit)		<u>0</u>	<u>1,714,991</u>	<u>0</u>

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government 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 budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget has also 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 budget 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 eEntity

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

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 17 to the budget.

(b) 2016/17 actual balances

Balances shown in this budget as 2016/17 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding off figures

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

(d) Comparative figures

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

(e) Budget comparative figures

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

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Forecast fair value adjustments

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

(g) Rates, grants, donations and other contributions

Rates, grants, donations and other contributions are recognised as revenues when the Shire of Three Springs 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.

(h) 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.

(i) Superannuation

The Shire of Three Springs contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Three Springs contributes are defined contribution plans.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, 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 shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

(k) 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

General

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

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

Land held for resale

Land 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 Council's intentions to release for sale.

(m) 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 of Three Springs 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 of Three Springs 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.

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 of Three Springs 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 of the next anniversary date in accordance with the mandatory measurement framework detailed above.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fixed assets (continued)

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 Shir

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

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	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping & 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 profit or loss in the period which they arise.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities

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

Fair value is the price that the Shire of Three Springs 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. 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 (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie 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 of Three Springs 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 of Three Springs are consistent with one or more of the following valuation approaches:

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities (continued)

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of 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 of Three Springs 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 and 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.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

(o) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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.

(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. Assets in this category are classified as current assets. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(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 of Three Springs management 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 (excl. financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 has 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 for receipt of cash flows expire or the asset is transferred to another party, whereby the Shire of Three Springs 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.

(p) Impairment of assets

In accordance with Australian Accounting Standards the Shire of Three Springs 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 revaluation decrease in accordance with that other standard.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (continued)

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.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2018.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(q) 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 of Three Springs 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.

(r) Employee benefits

Short-term employee benefits

Provision is made for the Shire of Three Springs'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 of Three Springs'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 of Three Springs'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 or 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 of Three Springs's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Three Springs 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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) Provisions

Provisions are recognised when the Shire of Three Springs has a 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.

(u) 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 of Three Springs, 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.

(v) Investment in associates

An associate is an entity over which the Shire of Three Springs 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 of Three Springs's share of net assets of the associate. In addition, the Shire of Three Springs's share of the profit or loss of the associate is included in the

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire of Three Springs'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.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Investment in associates (continued)

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

When the Shire of Three Springs's share of losses in an associate equals or exceeds its interest in the associate, the Shire of Three Springs 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 of Three Springs will resume recognising its share of these profits once its share of the profits equals the share of the losses not recognised.

(x) Interests in joint arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire of Three Springs'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 20.

(y) 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 of Three Springs's operational cycle. In the case of liabilities where the Shire of Three Springs 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 of Three Springs's intentions to

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

REVENUES AND EXPENSES	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net result			
The net result includes:			
Charging as an expense:			
Auditors remuneration			
Audit services	33,000	21,536	33,000
Other services		2,300	0
Depreciation by program			
Governance	55,000	52,203	51,000
General purpose funding	0	0	0
Law, order, public safety	96,500	96,133	70,000
Health	51,000	48,598	50,700
Education and welfare	1,000	888	1,000
Housing	160,150	146,284	170,150
Community amenities	20,220	17,225	15,170
Recreation and culture	348,200	318,630	368,500
Transport	60,000	59,491	55,080
Economic services	5,624	5,388	5,624
Other property and services	175,200	144,959	185,200
	<u>972,894</u>	<u>889,799</u>	<u>972,424</u>
Depreciation by asset class			
Land and buildings	623,362	570,120	612,627
Furniture and equipment	23,230	21,246	18,476
Plant and equipment	289,824	265,070	233,381
Roads	0	0	74,877
Footpaths	6,379	5,834	5,835
Parks and ovals	20,095	18,379	17,504
Airfield	10,004	9,150	9,724
	<u>972,894</u>	<u>889,799</u>	<u>972,424</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	12,163	16,012	18,772
Other			5,772
	<u>12,163</u>	<u>16,012</u>	<u>24,544</u>
Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	31,396	22,430	24,171
- Other funds	15,500	14,181	25,500
Other interest revenue (refer note 12)	11,650	11,230	10,925
	<u>58,546</u>	<u>47,841</u>	<u>60,596</u>
Other revenue			
Reimbursements and recoveries			
Other	49,750	65,803	45,900
	<u>49,750</u>	<u>65,803</u>	<u>45,900</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUES AND EXPENSES (Continued)

(b) Statement of objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

COMMUNITY VISION

For Three Springs to be a healthy and unified community with a bright future - "Powering the Region".

The Shire of Three Springs will lead responsibly and partner with the Regional and Three Springs community to achieve its future goals and reach its potential.

GOVERNANCE

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

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

GENERAL PURPOSE FUNDING

Objective: To collect revenue to fund provision of services.

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

LAW, ORDER, PUBLIC SAFETY

Objective: To ensure a safer community in which to live.

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

HEALTH

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

Activities: Food quality and pest control, maintenance of child health centre, doctors surgery and dental clinic.

EDUCATION AND WELFARE

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

Activities: Assistance to Day Care Centre, Playgroup, Youth activities and other voluntary services.

HOUSING

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

Activities: Maintenance of council owned housing

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUES AND EXPENSES (Continued)

(b) Statement of objective (Continued)

COMMUNITY AMENITIES

Objective: Provide services as required by the community.

Activities: Rubbish collection services, tip operation, noise control, town planning administration.

RECREATION AND CULTURE

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

Activities: Maintenance of halls, swimming pool, library, parks, ovals, gardens and 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, depot maintenance and airstrip maintenance.

ECONOMIC SERVICES

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

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

OTHER PROPERTY & SERVICES

Activites: Private works, plant repairs and operation costs, fuel stock and materials.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Cash - unrestricted	10,563	1,704,585	71,623
Cash - restricted	737,501	1,256,105	757,846
	<u>748,064</u>	<u>2,960,690</u>	<u>829,469</u>

The following restrictions have been imposed by regulation or other externally imposed requirements:

Leave Reserve	131,113	127,916	128,185
Plant Reserve	240,603	234,736	235,004
Housing & Development Reserve	123,282	120,276	120,439
Local Govt Comm Housing Reserve	61,515	157,576	157,829
Gravel Pit Reserve	47,693	46,530	46,629
Swimming Pool Rec Equip Reserve	36,883	35,984	36,060
Day Care Centre Reserve	20,783	508,083	8,700
Lovelocks Soak Reserve	50,629	25,004	25,000
Road Reserve	25,000	0	0
	<u>737,501</u>	<u>1,256,105</u>	<u>757,846</u>

Reconciliation of net cash provided by operating activities to net result

Net result	1,209,671	2,908,068	2,773,749
Depreciation	972,894	889,799	972,424
(Profit)/loss on sale of asset	10,530	22,719	11,950
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	51,000	361,383	344,747
(Increase)/decrease in inventories	(5,000)	9,531	0
Increase/(decrease) in payables	(25,029)	(58,088)	65,977
Increase/(decrease) in employee provisions	0	4,120	0
Grants/contributions for the development of assets	(1,745,189)	(1,371,251)	(2,360,952)
Net cash from operating activities	<u>468,877</u>	<u>2,766,281</u>	<u>1,807,895</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Undrawn borrowing facilities credit standby arrangements			
Bank overdraft limit	0	0	0
Bank overdraft at balance date	0	0	0
Credit card limit	11,000	11,000	11,000
Credit card balance at balance date			
Total amount of credit unused	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
Loan facilities			
Loan facilities in use at balance date	<u>206,907</u>	<u>269,792</u>	<u>269,792</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>
	Note	2017/18 Budget \$	2016/17 Actual \$
NET CURRENT ASSETS			
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3(a)	10,563	1,704,585
Cash - restricted reserves	3(a)	737,501	1,256,105
Receivables		43,676	94,676
Inventories		6,905	1,905
		<u>798,645</u>	<u>3,057,271</u>
Less: current liabilities			
Trade and other payables		(67,065)	(92,096)
Long term borrowings		(62,884)	(62,884)
Provisions		(121,995)	(121,995)
		<u>(251,944)</u>	<u>(276,975)</u>
Unadjusted net current assets		546,701	2,780,296
Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with <i>Local Government (Financial Management) Regulation 32</i> as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments below.			
Adjustments			
Less: Cash - restricted reserves	3(a)	(737,501)	(1,256,105)
Add: Current portion of borrowings		62,884	62,884
Add: Current liabilities not expected to be cleared at end of year		127,916	127,916
Adjusted net current assets - surplus/(deficit)		<u><u>0</u></u>	<u><u>1,714,991</u></u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

5. ACQUISITION OF ASSETS

The following assets are budgeted to be acquired during the year.

Asset class	Reporting program										2017/18 Budget total \$	2016/17 Actual total \$	
	Governance \$	General purpose funding \$	Law, order, public safety \$	Health \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	Economic services \$			Other property and services \$
<i>Property, Plant and Equipment</i>													
Land and buildings	160,767	0	185,784	6,000	1,130,000	142,100	6,500	110,500		2,500	10,000	1,754,151	259,181
Furniture and equipment	30,000	0	20,000	10,000	0	0	4,000	35,000		10,000	11,000	120,000	3,395
Plant and equipment	40,000	0	0	0	0	0	0		364,300			404,300	616,542
	230,767	0	205,784	16,000	1,130,000	142,100	10,500	145,500	364,300	12,500	21,000	2,278,451	879,118
<i>Infrastructure</i>													
Roads									2,115,356			2,115,356	1,950,742
Footpaths									50,000			50,000	32,620
Parks and ovals									0				24,349
Airfield									0				0
	0	0	0	0	0	0	0	0	2,165,356	0	0	2,165,356	2,007,711
Total acquisitions	230,767	0	205,784	16,000	1,130,000	142,100	10,500	145,500	2,529,656	12,500	21,000	4,443,807	2,886,829

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- plant replacement programme
- other property, plant and equipment
- road replacement programme includes drainage
- other parks and ovals

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

6. DISPOSALS OF ASSETS

The following assets are budgeted to be disposed of during the year.

<u>By Program</u>	Net book value	Sale proceeds	2017/18 Budget		2016/17 Actual		2016/17 Budget	
	\$	\$	Profit	Loss	Profit	Loss	Profit	Loss
Governance	20,914	20,000	0	(914)	0	0	0	0
Housing	0	0	0	0	0	(21,057)	0	0
Transport	69,616	60,000	0	(9,616)	0	(1,662)	0	(11,950)
	90,530	80,000	0	(10,530)	0	(22,719)	0	(11,950)

<u>By Class</u>	Net book value	Sale proceeds	2017/18 Budget		2016/17 Actual		2016/17 Budget	
	\$	\$	Profit	Loss	Profit	Loss	Profit	Loss
Land and buildings	0					(21,057)		
Furniture and equipment	0							
Plant and equipment	90,530	80,000		(10,530)		(1,662)		(11,950)
	90,530	80,000	0	(10,530)	0	(22,719)	0	(11,950)

A detailed breakdown of disposals on an individual asset basis can be found in the supplementary information attached to this budget document as follows:

- Staff housing programme
- plant replacement programme

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

7. INFORMATION ON BORROWINGS

(a) Borrowing repayments

Movement in borrowings and interest between the beginning and the end of the current financial year.

Purpose	Principal 1-Jul-17	New loans	Principal repayments		Principal outstanding		Interest repayments	
			2017/18 Budget \$	2016/17 Actual \$	2017/18 Budget \$	2016/17 Actual \$	2017/18 Budget \$	2016/17 Actual \$
Recreation and culture								
Loan 156 - Swimming Pool	34,165	0	16,635	15,784	17,530	34,165	1,599	2,450
Loan 160 - Swimming Pool	147,901	0	18,755	18,043	129,146	147,901	5,601	6,090
Transport								
Loan 157 - Grader	87,726	0	27,495	25,884	60,231	87,726	4,963	6,004
Loan 159 - Prime Mover	0	0	0	89,362	0	0	0	1,468
	269,792	0	62,885	149,073	206,907	269,792	12,163	16,012

All borrowing repayments will be financed by general purpose revenue.

7. INFORMATION ON BORROWINGS (Continued)

(b) New borrowings - 2017/18

No new debentures are budgeted for the financial year.

(c) Unspent borrowings

Council had no unspent debenture funds as at 30th June 2017 nor is it expected to have unspent debenture funds as at 30th June 2018.

(d) Overdraft

Council has no overdraft facility in place for the 2018 financial year.

(d) Credit Card Facility

Council's Credit Card Facility with National Australian Bank remains unchanged at A\$11,000. The current credit limit of \$11,000 is not expected to increase during the 2017/18 financial year.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8. RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2017/18 Budgeted rate revenue \$	2017/18 Budgeted interim rates \$	2017/18 Budgeted back rates \$	2017/18 Budgeted total revenue \$	2016/17 Actual \$
Differential general rate or general rate								
GRV - Residential	0.117261	208	2,032,466	238,329	0	0	238,329.00	230,348
GRV - Mining	0.234522	1	252,500	59,217	0	0	59,217.00	57,800
UV - Rural & Arrino Town	0.015033	183	111,440,040	1,675,278	0	0	1,675,278.00	1,633,779
UV - Mining	0.119167	14	349,826	41,688	0	0	41,688.00	40,353
Other		66		0			0.00	0
Sub-Totals		472	114,074,832	2,014,512	0	0	2,014,512.00	1,962,280
Minimum								
Minimum payment								
\$								
GRV - Residential	450	20	13,445	9,000	0	0	9,000.00	10,120
UV - Rural & Arrino Town	450	23	294,860	10,350	0	0	10,350.00	10,120
UV - Mining	450	13	27,000	5,850	0	0	5,850.00	5,720
Sub-Totals		56	335,305	25,200	0	0	25,200.00	25,960
		528	114,410,137	2,039,712	0	0	2,039,712.00	1,988,240
Discounts/concessions (Refer note 13)							0	0
Total amount raised from general rates							2,039,712.00	1,988,240
Specified area rates (Refer note 10)							0.00	0
Total rates							2,039,712.00	1,988,240

All land except exempt land in the Shire of Three Springs is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the Shire of Three Springs.

The general rates detailed above for the 2017/18 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of the Local Government services/facilities.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8(a). RATING INFORMATION

Objectives and reasons for differential rating

The raising of rates is the primary source of revenue for Council. The purpose of levying rates is to meet Council's proposed budget requirements each year in a manner that is fair and equitable to the Ratepayers of the community. Apart from the need to ensure sufficient revenue to meet council's operational and capital expenditure Council must be mindful of the impact and affordability of rates to the whole community.

To provide equity in the rating of properties across the Shire, the following rate categories have been determined for implementation of the differential rating.

Differential general rate

UV - Rural

The objective of the UV Rural rate which includes properties that are used in farming activities and/or agricultural production is to raise the revenue the Shire requires to operate efficiently and to provide a diverse range of services and infrastructure.

The reason of setting a lower rate in UV-Rural is to recognise the variation in land use intensity and the impact on shire's road infrastructure and to offset the relatively high property valuations within this rating category. Council also considers the adverse factors such as weather, bushfire, drought and export price fluctuations, etc, that impact production income.

UV - Mining

The objective of the differential rate on UV is to ensure that mining contributes to the maintenance of the Shire's assets and infrastructure to the extent that the mining operators and their connections use them.

The reason for the UV-Mining rate is to assist the Shire to meet the budget deficiency in revenue and contribute to the maintenance of key Shire assets such as recreational facilities, medical and dental services, emergency services, provision and regular upgrade/maintenance of roads. Mining operators have the advantage of utilising the established Shire assets and services provided over the years by long term rural tax payers.

GRV - Residential

The objective of the GRV rates and minimum payments is to ensure a fair contribution to the revenue requirements of the Shire, to provide a diverse range of services and facilities to the residents and business proprietors of Three springs, while not risking additional financial pressure of the town residents that affect their long term viability. The town residents have in the past and will continue to provide significant support for the social and economic viability of the Shire.

The reasons for the level of rates set for the GRVs is that this allows for a fair contribution to the maintenance and provision of town services and infrastructure to a sustainable level.

GRV - Mining

The object of the GRV rates associated with the Talc Mine is to ensure the mine contributes to the maintenance of the Shire's assets. The Talc Mine benefits greatly from a recently upgraded road bridge within close proximity of mine site and the business transports high tonnage of talc per year on Shire Road asset. The GRV for mining allows a reasonable contribution to the Shire's infrastructure and reflects the cost of road maintenance to accommodate heavy vehicle movements both on rural roads and in residential areas of Three Springs Townsite.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8(a). RATING INFORMATION

Minimum Rates

The setting of minimum rates within the categories is an important method of ensuring all properties contribute an equitable rate amount.

Adopted Differential Rates	Rate in \$	Minimum
GRV - Residential	0.117261	450
GRV - Mining	0.234522	450
UV - Rural	0.015033	450
UV - Mining	0.119167	450
UV - Arrino Town	0.015033	450
Advertised Differential Rates	Rate in \$	Minimum
GRV - Residential	0.117260	445
GRV - Mining	0.234520	445
UV - Rural	0.016360	445
UV - Mining	0.120390	445
UV - Arrino Town	0.016360	445

The advertised rates were altered in August Council Meeting per advice from the Dept. of Local Government, Sports and Cultural Industries. The department advised for the significant increase in UV mining rate to be reviewed and 10 % increase in the rate revenue be aligned with the Shire's Strategic Resource Plan 2016-2031. with a reveue forecast of 2.5% increase.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

9. CASH BACKED RESERVES

	2017/18 Budget Opening balance \$	2017/18 Budget Transfer to \$	2017/18 Budget Transfer (from) \$	2017/18 Budget Closing balance \$	2016/17 Actual Opening balance \$	2016/17 Actual Transfer to \$	2016/17 Actual Transfer (from) \$	2016/17 Actual Closing balance \$	2016/17 Budget Opening balance \$	2016/17 Budget Transfer to \$	2016/17 Budget Transfer (from) \$	2016/17 Budget Closing balance \$
Leave Reserve	127,916	3,197		131,113	124,574	3,342		127,916	124,572	3,613	0	128,185
Plant Reserve	234,736	5,867		240,603	131,199	103,537		234,736	131,199	103,805		235,004
Housing & Development Reserve	120,276	3,006		123,282	78,172	42,104		120,276	78,172	42,267		120,439
Local Govt Comm Housing Reserve	157,576	3,939	(100,000)	61,515	119,172	38,404		157,576	119,173	38,656		157,829
Gravel Pit Reserve	46,530	1,163		47,693	45,314	1,216		46,530	45,315	1,314		46,629
Swimming Pool Rec Equip Reserve	35,984	899		36,883	35,044	940		35,984	35,044	1,016		36,060
Day Care Centre Reserve	508,083	12,700	(500,000)	20,783	300,000	208,083		508,083	300,000	8,700	(300,000)	8,700
Lovelocks Soak Reserve	25,004	25,625		50,629	0	25,004		25,004	0	25,000		25,000
Road Reserve	0	25,000		25,000								
	<u>1,256,105</u>	<u>81,396</u>	<u>(600,000)</u>	<u>737,501</u>	<u>833,475</u>	<u>422,630</u>	<u>0</u>	<u>1,256,105</u>	<u>833,475</u>	<u>224,371</u>	<u>(300,000)</u>	<u>757,846</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

9. CASH BACKED RESERVES (Continued)

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

Reserve name	Anticipated date of use	Purpose of the reserve
Leave Reserve	ongoing	- to be used to fund annual and long service leave requirements.
Plant Reserve	ongoing	- to be used for the purchase of major plant.
Housing & Development Reserve	ongoing	- to be used to fund housing/accommodation projects
Local Govt Comm Housing Reserve	30-Jun-18	- 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 Rec Equip Reserve	ongoing	- to be used to purchase recreational equipment for the swimming pool
Day Care Centre Reserve	30-Jun-18	- to be used to upgrade Child Care Building and equipments
Lovelocks Soak Reserve	ongoing	- to be used to upgrade Potable Water Infrastructure.
Road Reserve	ongoing	- New reserve proposed for funds to be allocated for future capital Road Works

The Leave, Housing and Development, Gravel Pit and Swimming Pool Recreation Equipment Reserves are not expected to be used within a set period as further transfers to Reserves accounts are expected as funds are utilised.

The Day Care Centre Reserve, Building and Local Government Community Housing Reserves are expected to be partially utilised in 2017/18

A transfer of \$25,000 allocated to Lovelocks Soak Reserve over a period of 4 years commenced in 2016/17.

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

10. SPECIFIED AREA RATE

No Specified Area Rates will be imposed for the year 2017/18.

11. SERVICE CHARGES

No service charges are to be imposed in 2017/18

12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES

The following instalment options are available to ratepayers for the payment of rates and service charges.

Instalment options	Date due	Instalment plan admin charge \$	Instalment plan interest rate %	Unpaid rates interest rates %
Option one				
Full Payment	23-Oct-17			11%
Option two				
First Instalment	23-Oct-17			11%
Second Instalment	22-Feb-18	12	5.50%	11%
Option three				
First Instalment	23-Oct-17			11%
Second Instalment	22-Dec-17	12	5.50%	11%
Third Instalment	22-Feb-18	12	5.50%	11%
Fourth Instalment	23-Apr-18	12	5.50%	11%

	2017/18 Budget revenue \$	2016/17 Actual \$
Instalment plan admin charge revenue	2,200	2,040
Instalment plan interest earned	6,000	5,810
Unpaid rates interest earned	5,500	5,262
Interest on ESL	150	158
	13,850	13,270

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

Rates discounts

No Rates discount is offered to ratepayers in the year 2017/18.

Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$	Circumstances in which the waiver or concession is granted	Objects of the waiver or concession	Reasons for the waiver or concession
Community Bus	Waived	Per fees & charges	150		Three Springs Primary School	Promote educational activities	Support Local Primary School
Pool Charges	Waived	Per fees & charges	200		Three Springs Primary School	Promote educational activities	Support Local Primary School
Community Hall Charges	Waived	Per fees & charges	250		Wildflower Committee, Hospital Fate Committee & TS Primary School	Promote School and community Activity in the Shire	Support Local Primary School Support Local Community Groups
Photocopying Charges	Waived	Per fees & charges	400		as Local Newspaper, St John Ambulance and Volunteer Bush Fire Brigade, Wildflower Committee.	Support Community Activity in the Shire	Support Local Community Group for overall community Benefit.
			<u>1,000</u>	<u>0</u>			

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

	2017/18 Budget \$	2016/17 Actual \$
14. FEES & CHARGES REVENUE		
Governance	6,200	13,554
General purpose funding	14,750	6,040
Law, order, public safety	4,500	3,853
Health	17,500	16,438
Housing	98,480	86,105
Community amenities	74,975	154,273
Recreation and culture	15,450	13,306
Economic services	9,150	8,050
Other property and services	4,550	3,218
	<u>245,555</u>	<u>304,837</u>
15. GRANT REVENUE		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
By Program:		
Operating grants, subsidies and contributions		
Governance	10,000	15,767
General purpose funding	443,889	1,452,807
Law, order, public safety	41,000	131,103
Health	2,000	1,279
Education and welfare	1,200	960
Housing	2,000	1,421
Community amenities	1,000	(9,939)
Recreation and culture	37,500	43,797
Transport	429,213	188,996
Economic services	1,500	1,111
Other property and services	6,500	20,843
	<u>975,802</u>	<u>1,848,145</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	180,784	494,910
Education and welfare	550,000	0
Community amenities	0	4,032
Transport	1,014,405	872,309
	<u>1,745,189</u>	<u>1,371,251</u>

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

	2017/18 Budget \$	2016/17 Actual \$
16. ELECTED MEMBERS REMUNERATION		
The following fees, expenses and allowances were paid to council members and President.		
Meeting fees	12,672	10,428
President's allowance	7,500	7,500
Deputy President's allowance	1,375	1,375
Travelling expenses	0	0
Telecommunications allowance	0	0
	21,547	19,303

17. TRUST FUNDS

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

Detail	Balance 1-Jul-17 \$	Estimated amounts received \$	Estimated amounts paid (\$)	Estimated balance 30-Jun-18 \$
Police Licensing	1,197	265,245	(264,532)	1,910
Three Springs LCDC	4,334			4,334
Arrowsmith Catchment	77,393			77,393
Arrowsmith Rates	11,556			11,556
Nomination Fees	0	240	(240)	0
East Three Springs Catchment	2,014			2,014
BRB Levy	56		(56)	0
Housing Bonds	280		(280)	0
Community Bus Bond	100		(100)	0
Sale of Books	0	60	(60)	0
	96,930	265,545	(265,268)	97,207

**SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

18. MAJOR LAND TRANSACTIONS

It is not anticipated any major transactions will occur in 2017/18

(a) Details

	2017/18 Budget \$	2016/17 Actual \$
(b) Current year transactions		
Operating revenue		
Profit on sale	0	0
Capital revenue		
Sale Proceeds	0	0
Capital expenditure		
Purchase of Land	0	0
Development costs	0	0
	0	0

(c) Expected future cash flows

	2017/18 \$	2018/19 \$	2019/20 \$	2020/21 \$	2021/21 \$	Total \$
Cash outflows						0
	0	0	0	0	0	0
Cash Inflows						0
	0	0	0	0	0	0
Net cash flows	0	0	0	0	0	0

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2017/18.

20. INTERESTS IN JOINT ARRANGEMENTS

It is not anticipated the Shire will be party to any joint venture arrangements during 2017/18.