

**SHIRE OF THREE SPRINGS**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and Forming Part of the Financial Report	9 to 59
Independent Audit Report	60 & 61
Supplementary Ratio Information	62

SHIRE OF THREE SPRINGS

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2013

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Three Springs being the annual financial report and other information for the financial year ended 30th June 2013 are in my opinion properly drawn up to present fairly the financial position of the Shire of Three Springs at 30th June 2013 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 7<sup>th</sup> day of March, 2014



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Sylvia Yandle  
Chief Executive Officer

**SHIRE OF THREE SPRINGS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY NATURE OR TYPE**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Revenue</b>				
Rates	22	1,493,386	1,502,050	1,419,464
Operating Grants, Subsidies and Contributions	28	1,138,662	985,096	1,634,629
Fees and Charges	27	922,947	958,690	973,892
Interest Earnings	2(a)	48,756	73,250	69,051
Other Revenue		87,234	24,500	23,938
		<u>3,690,985</u>	<u>3,543,586</u>	<u>4,120,974</u>
<b>Expenses</b>				
Employee Costs		(1,402,020)	(1,171,312)	(1,697,396)
Materials and Contracts		(1,218,840)	(1,237,709)	(1,135,008)
Utility Charges		(122,417)	(135,950)	(158,556)
Depreciation on Non-Current Assets	2(a)	(1,065,747)	(765,400)	(760,810)
Interest Expenses	2(a)	(36,011)	(40,094)	(33,778)
Insurance Expenses		(133,257)	(134,999)	(119,071)
Other Expenditure		(145,803)	(93,093)	(52,145)
		<u>(4,124,095)</u>	<u>(3,578,557)</u>	<u>(3,956,764)</u>
		(433,110)	(34,971)	164,210
 Non-Operating Grants, Subsidies and Contributions	 28	 628,129	 1,416,857	 1,512,457
Profit on Asset Disposals	20	110,287	2,000	80,343
Loss on Asset Disposal	20	(24,048)	(9,401)	(8,919)
 <b>Net Result</b>		 <b>281,258</b>	 <b>1,374,485</b>	 <b>1,748,091</b>
 <b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	22,817,514	0	0
 <b>Total Other Comprehensive Income</b>		 <u><b>22,817,514</b></u>	 <u><b>0</b></u>	 <u><b>0</b></u>
 <b>Total Comprehensive Income</b>		 <u><u><b>23,098,772</b></u></u>	 <u><u><b>1,374,485</b></u></u>	 <u><u><b>1,748,091</b></u></u>

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

**SHIRE OF THREE SPRINGS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**BY PROGRAM**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Revenue</b>				
Governance		56,641	18,700	40,361
General Purpose Funding		2,305,163	1,909,367	2,563,145
Law, Order, Public Safety		143,054	149,920	163,520
Health		519,676	575,990	767,499
Education and Welfare		800	5,000	6,800
Housing		125,952	93,000	147,656
Community Amenities		64,127	121,578	90,244
Recreation and Culture		18,835	330,775	62,402
Transport		207,108	98,456	95,742
Economic Services		25,560	75,300	151,693
Other Property and Services		224,068	165,500	31,912
	2(a)	3,690,984	3,543,586	4,120,974
<b>Expenses</b>				
Governance		(341,056)	(27,775)	(331,631)
General Purpose Funding		(25,264)	(290,002)	(36,122)
Law, Order, Public Safety		(244,063)	(216,759)	(258,350)
Health		(779,918)	(729,396)	(985,170)
Education and Welfare		(41,102)	(29,999)	(9,400)
Housing		(335,353)	(237,389)	(292,606)
Community Amenities		(295,663)	(285,803)	(173,393)
Recreation and Culture		(677,076)	(543,463)	(527,697)
Transport		(1,102,453)	(981,168)	(1,160,812)
Economic Services		(145,870)	(108,735)	(124,272)
Other Property and Services		(100,265)	(87,974)	(23,533)
	2(a)	(4,088,083)	(3,538,463)	(3,922,986)
<b>Finance Costs</b>				
General Purpose Funding		(142)	0	0
Health		0	(2,500)	(690)
Housing		0	0	(4,068)
Recreation and Culture		(5,354)	(5,440)	(5,954)
Transport		(30,515)	(32,154)	(23,066)
	2(a)	(36,011)	(40,094)	(33,778)
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Health		13,971	13,971	425,713
Education and Welfare		16,861	1,818	18,000
Housing		0	311,037	235,996
Community Amenities		23,487	23,499	125,000
Recreation and Culture		311,546	0	450,184
Transport		262,264	1,066,532	257,564
	28	628,129	1,416,857	1,512,457
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		0	0	(6,195)
Health		0	0	(2,724)
Housing		105,242	0	9
Recreation and Culture		(5,328)	(3,639)	0
Transport		(13,675)	(3,762)	80,334
Other Property & Services		0	0	0
	20	86,239	(7,401)	71,425
<b>Net Result</b>		<b>281,258</b>	<b>1,374,485</b>	<b>1,748,091</b>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	22,817,514	0	0
<b>Total Other Comprehensive Income</b>		<b>22,817,514</b>	<b>0</b>	<b>0</b>
<b>Total Comprehensive Income</b>		<b>23,098,772</b>	<b>1,374,485</b>	<b>1,748,091</b>

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 2013**

**19. TRUST FUNDS**

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

	Balance 1-Jul-12 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30-Jun-13 \$
Police Licensing	1,901	261,183	(262,336)	748
Three Springs LCDC	4,334	0	0	4,334
Arrowsmith Catchment	87,459	0	0	87,459
Arrowsmith Rates	1,489	0	0	1,489
Nomination Fees	240	80	(80)	240
East Three Springs Catchment	2,014	0	0	2,014
BCITF Levy	0	1,160	(1,160)	0
BRB Levy	0	704	(704)	0
Deposits on Free Blocks	2,500	0	(2,500)	0
Housing Bonds	280	400	(400)	280
	<u>100,217</u>			<u>96,564</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**20. DISPOSALS OF ASSETS - 2012/13 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>						
<b>Housing</b>						
B2015 - 36 Christie St (Building)	80,093	0	80,093	0	0	0
36 Christie St (Land)	50,000	0	149,907	0	99,907	0
<b>Recreation &amp; Culture</b>						
2009 Triton GLX	12,780	15,003	9,545	11,364	(3,235)	(3,639)
P1101 - Masport Home Gardener *	0	0	0	0	0	0
P1102 - Fernrite Shredder/Chipper *	0	0	0	0	0	0
P1103 - Caroni Mower *	0	0	0	0	0	0
P1113 - Stihl Chainsaw *	0	0	0	0	0	0
P1114 - Lawnmower *	0	0	0	0	0	0
P1115 - Rover Mower *	0	0	0	0	0	0
F1125 - Swimming Pool Wetdeck *	2,093	0	0	0	(2,093)	0
<b>Transport</b>						
2007 Mazda BT Utility	9,166	10,893	6,364	9,545	(2,802)	(1,348)
Mitsubishi Triton	0	15,778	0	11,364	0	(4,414)
International Tractor	0	0	5,045	2,000	5,045	2,000
P7005 - Tank Trailer *	0	0	0	0	0	0
P5018 - Collins Drawn Roller *	0	0	0	0	0	0
P1411 - Air Compressor *	0	0	0	0	0	0
P1403 - Chainsaw *	0	0	0	0	0	0
P1218 - Pressure Cleaner *	0	0	0	0	0	0
P1211 - Road Classifier *	0	0	0	0	0	0
P1203 - Custom trailer *	0	0	0	0	0	0
P1204 - Custom trailer *	0	0	0	0	0	0
P0504 - VHF Transceiver *	0	0	0	0	0	0
P0505 - 4 Channel Tait *	0	0	0	0	0	0
P0506 - 50 watt repeater *	0	0	0	0	0	0
P1415 - Patrol Ace Kit *	86	0	0	0	(86)	0
<b>Total Property, Plant &amp; Equipment</b>	<b>154,218</b>	<b>41,674</b>	<b>250,954</b>	<b>34,273</b>	<b>96,736</b>	<b>(7,401)</b>
<b>INFRASTRUCTURE</b>						
B1008 - Waste Oil Facility *	11,861	0	0	0	(11,861)	0
B0503 - Fire Hydrants *	1,466	0	0	0	(1,466)	0
B0504 - Fire Hydrants *	1,407	0	0	0	(1,407)	0
B0505 - Standpipe *	0	0	0	0	0	0
B0507 - Fire Hydrants *	1,098	0	0	0	(1,098)	0
<b>Total Infrastructure</b>	<b>15,832</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,832)</b>	<b>0</b>
<b>LAND HELD FOR RESALE</b>						
<b>Housing</b>						
56 Glyde St	8,169	0	10,909	0	2,740	0
59 Glyde St	8,314	0	10,909	0	2,595	0
<b>Total Land Held For Resale</b>	<b>16,483</b>	<b>0</b>	<b>21,818</b>	<b>0</b>	<b>5,335</b>	<b>0</b>
	<b>186,533</b>	<b>41,674</b>	<b>272,772</b>	<b>34,273</b>	<b>86,239</b>	<b>(7,401)</b>

Profit	110,287
Loss	(24,048)
	<u>86,239</u>

\* Stocktake carried out during the year revealed these items are no longer held by the Shire

**SHIRE OF THREE SPRINGS  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2013**

	NOTE	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	779,270	1,175,401
Trade and Other Receivables	4	125,910	636,729
Inventories	5	16,590	15,628
<b>TOTAL CURRENT ASSETS</b>		<u>921,770</u>	<u>1,827,758</u>
<b>NON-CURRENT ASSETS</b>			
Other Receivables	4	14,404	10,077
Inventories	5	0	8,000
Property, Plant and Equipment	6	14,619,524	5,439,442
Infrastructure	7	33,755,001	19,199,278
<b>TOTAL NON-CURRENT ASSETS</b>		<u>48,388,929</u>	<u>24,656,797</u>
<b>TOTAL ASSETS</b>		<u>49,310,699</u>	<u>26,484,555</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	124,819	304,035
Long Term Borrowings	9	126,757	120,612
Provisions	10	165,671	151,748
<b>TOTAL CURRENT LIABILITIES</b>		<u>417,247</u>	<u>576,395</u>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Borrowings	9	510,880	637,637
Provisions	10	41,475	28,198
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>552,355</u>	<u>665,835</u>
<b>TOTAL LIABILITIES</b>		<u>969,602</u>	<u>1,242,230</u>
<b>NET ASSETS</b>		<u>48,341,097</u>	<u>25,242,325</u>
<b>EQUITY</b>			
Retained Surplus		23,693,319	23,433,639
Reserves - Cash Backed	11	483,313	461,735
Revaluation Surplus	12	24,164,465	1,346,951
<b>TOTAL EQUITY</b>		<u>48,341,097</u>	<u>25,242,325</u>

0

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 2013**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2011		21,970,514	176,769	1,346,951	23,494,234
Comprehensive Income					
Net Result		1,748,091	0	0	1,748,091
Total Comprehensive Income		<u>1,748,091</u>	<u>0</u>	<u>0</u>	<u>1,748,091</u>
Reserve Transfers		(284,966)	284,966	0	0
<b>Balance as at 30 June 2012</b>		<b>23,433,639</b>	<b>461,735</b>	<b>1,346,951</b>	<b>25,242,325</b>
Comprehensive Income					
Net Result		281,258	0	0	281,258
Changes on Revaluation of Non-Current Assets	12	0	0	22,817,514	22,817,514
Total Other Comprehensive Income		<u>281,258</u>	<u>0</u>	<u>22,817,514</u>	<u>23,098,772</u>
Reserve Transfers		(21,578)	21,578	0	0
<b>Balance as at 30 June 2013</b>		<b>23,693,319</b>	<b>483,313</b>	<b>24,164,465</b>	<b>48,341,097</b>

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



**SHIRE OF THREE SPRINGS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 \$	2013 Budget \$	2012 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		1,483,353	1,509,243	1,413,772
Operating Grants, Subsidies and Contributions		1,503,662	1,173,501	1,634,629
Fees and Charges		1,074,472	1,373,388	448,648
Interest Earnings		48,756	73,250	69,051
Goods and Services Tax			175,000	88,469
Other Revenue		87,235	24,500	23,938
		<u>4,197,478</u>	<u>4,328,882</u>	<u>3,678,507</u>
<b>Payments</b>				
Employee Costs		(1,377,382)	(1,146,202)	(1,655,792)
Materials and Contracts		(1,394,247)	(1,119,229)	(1,246,591)
Utility Charges		(122,417)	(135,950)	(158,556)
Insurance Expenses		(133,257)	(134,999)	(119,071)
Interest expenses		(38,222)	(40,094)	(27,738)
Goods and Services Tax			(175,000)	(19,441)
Other Expenditure		(107,913)	(93,093)	(52,145)
		<u>(3,173,438)</u>	<u>(2,844,567)</u>	<u>(3,279,334)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>1,024,040</u>	<u>1,484,315</u>	<u>399,173</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Development of Land Held for Resale		(8,483)	0	0
Payments for Purchase of Property, Plant & Equipment		(1,376,659)	(1,845,320)	(1,599,343)
Payments for Construction of Infrastructure		(815,318)	(1,694,883)	(913,089)
Non-Operating Grants, Subsidies and Contributions		628,129	1,416,857	1,512,457
Proceeds from Sale of Land Held for Resale		21,818		
Proceeds from Sale of Plant & Equipment		250,954	34,273	219,408
<b>Net Cash Provided By (Used In) Investing Activities</b>		<u>(1,299,559)</u>	<u>(2,089,073)</u>	<u>(780,567)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(120,612)	(120,612)	(148,572)
Proceeds from New Debentures		0	200,000	408,881
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(120,612)</u>	<u>79,388</u>	<u>260,309</u>
<b>Net Increase (Decrease) in Cash Held</b>		<u>(396,131)</u>	<u>(525,370)</u>	<u>(121,085)</u>
Cash at Beginning of Year		1,175,401	1,175,401	1,296,486
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u><u>779,270</u></u>	<u><u>650,031</u></u>	<u><u>1,175,401</u></u>

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

**SHIRE OF THREE SPRINGS  
RATE SETTING STATEMENT  
FOR THE YEAR ENDED 30TH JUNE 2013**

	NOTE	2013 Actual \$	2013 Budget \$	2012 Actual \$
<b>Revenue</b>				
Governance		56,641	18,700	40,361
General Purpose Funding		811,777	406,316	1,143,680
Law, Order, Public Safety		143,054	149,920	163,520
Health		533,647	589,961	1,193,212
Education and Welfare		17,661	6,818	24,800
Housing		231,194	404,037	383,661
Community Amenities		87,614	145,077	215,244
Recreation and Culture		330,381	330,775	512,586
Transport		474,417	1,166,988	433,640
Economic Services		25,560	75,300	151,693
Other Property and Services		224,069	165,500	31,913
		<u>2,936,015</u>	<u>3,459,392</u>	<u>4,294,310</u>
<b>Expenses</b>				
Governance		(341,056)	(290,002)	(337,826)
General Purpose Funding		(25,406)	(30,275)	(36,122)
Law, Order, Public Safety		(244,063)	(216,759)	(258,350)
Health		(779,918)	(729,396)	(988,582)
Education and Welfare		(41,102)	(29,999)	(9,401)
Housing		(335,353)	(237,389)	(296,675)
Community Amenities		(295,663)	(285,803)	(173,393)
Recreation and Culture		(687,758)	(552,542)	(533,652)
Transport		(1,151,603)	(1,019,084)	(1,183,877)
Economic Services		(145,870)	(108,735)	(124,272)
Other Property and Services		(100,351)	(87,974)	(23,533)
		<u>(4,148,143)</u>	<u>(3,587,958)</u>	<u>(3,965,683)</u>
<b>Net Result Excluding Rates</b>		<b>(1,212,128)</b>	<b>(128,566)</b>	<b>328,627</b>
<b>Adjustments for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure and Revenue</b>				
Initial Recognition of Assets Due to Change to Regulations				
Loss on Asset Revaluation		37,889	0	0
(Profit)/Loss on Asset Disposals	20	(86,239)	(2,000)	(71,424)
Movement in Deferred Pensioner Rates (Non-Current)		(4,323)	0	(3,233)
Movement in Employee Benefit Provisions		18,316	0	59,442
Depreciation and Amortisation on Assets	2(a)	1,065,747	765,400	760,810
<b>Capital Expenditure and Revenue</b>				
Purchase Land Held for Resale		(8,483)	0	0
Purchase Land and Buildings		(1,225,516)	(1,613,600)	(877,291)
Purchase Infrastructure Assets - Roads		(799,610)	(1,662,446)	(784,941)
Purchase Plant and Equipment		(99,765)	(201,220)	(575,150)
Purchase Motor Vehicles		(24,502)	0	(113,450)
Purchase Furniture and Equipment		(26,876)	(30,500)	(33,452)
Purchase Infrastructure Assets - Footpaths		0	(17,500)	(24,424)
Purchase Infrastructure Assets - Airfields		0	0	(29,146)
Purchase Infrastructure Assets - Parks		(15,708)	(14,937)	(74,578)
Proceeds from Disposal of Assets	20	272,772	347,500	219,408
Repayment of Debentures	21	(120,612)	(120,612)	(148,573)
Proceeds from New Debentures	21	0	200,000	408,881
Transfers to Reserves (Restricted Assets)	11	(21,578)	(38,297)	(284,966)
<b>ADD</b> Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	1,018,060	1,014,728	885,982
<b>LESS</b> Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	260,829	0	1,061,986
<b>Total Amount Raised from General Rate</b>	22(a)	<u>(1,493,386)</u>	<u>(1,502,050)</u>	<u>(1,419,464)</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 2013**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

**(a) Basis of Preparation**

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

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

**Critical Accounting Estimates**

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

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

**(b) The Local Government Reporting Entity**

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

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

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

**(c) Goods and Services Tax (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.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(d) 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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

**(e) Trade and Other Receivables**

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.

**(f) Inventories**

***General***

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

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

***Land Held for Resale***

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

Gains and losses are recognised in the statement of comprehensive income 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 resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets**

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

***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.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

(a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and

(b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -

(i) that are plant and equipment; and

(ii) that are -

(I) land and buildings; or

(II) infrastructure;

and

(c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

Council has commenced the process of adopting Fair Value in accordance with the Regulations.

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

***Land Under Control***

In accordance with local Government (Financial Management) Regulation 16 (a), the Council is 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.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Initial Recognition***

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

***Revaluation***

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

Revalued assets are carried at their fair value being the price that would be received to sell the asset, in an orderly transaction between market participants at the measurement date. (Level 1 inputs in the fair value hierarchy).

For land and buildings, fair value will be determined based on the nature of the asset class. For land and non-specialised buildings, fair value is determined on the basis of observable open market values of similar assets, adjusted for conditions and comparability at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regards to specialised buildings, fair value is determined having regard for current replacement cost and both observable and unobservable costs. These include construction costs based on recent contract prices, current condition (observable Level 2 inputs in the fair value hierarchy), residual values and remaining useful life assessments (unobservable Level 3 inputs in the fair value hierarchy).

For infrastructure and other asset classes, fair value is determined to be the current replacement cost of an asset (Level 2 inputs in the fair value hierarchy) less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset (Level 3 inputs in the fair value hierarchy).

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

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

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

In addition, the amendments to the Financial Management Regulations mandating the use of Fair Value, imposes a further minimum of 3 years revaluation requirement. As a minimum, all assets carried at a revalued amount, will be revalued at least every 3 years.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Transitional Arrangement***

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation*** methodology section as detailed above.

***Early Adoption of AASB 13 - Fair Value Measurement***

Whilst the new accounting standard in relation to fair value, *AASB 13 - Fair Value Measurement* does not become applicable until the end of the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology for this reporting period, the Council chose to early adopt AASB 13 (as allowed for in the standard).

As a consequence, the principles embodied in *AASB 13 - Fair Value Measurement* have been applied to this reporting period (year ended 30 June 2013).

Due to the nature and timing of the adoption (driven by legislation), the adoption of this standard has had no effect on previous reporting periods.

***Land under Roads***

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

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

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

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

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(g) Fixed Assets (Continued)**

***Depreciation of Non-Current Assets***

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

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

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods 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
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	10 years
Formed roads	
clearing and earthworks	not depreciated
construction/road base	50 years
Footpaths - slab	40 years
Water supply piping and drainage systems	75 years

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

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

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

***Capitalisation Threshold***

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

**(h) Intangible Assets**

***Easements***

Due to legislative changes, Easements are required to be recognised as assets.

If significant, they are initially recognised at cost and have an indefinite useful life.



**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments**

***Initial Recognition and Measurement***

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

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

***Classification and Subsequent Measurement***

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

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

Amortised cost is calculated as:

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current. They are subsequently measured at fair value with changes to carrying amount being included in profit or loss.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments (Continued)**

***Classification and Subsequent Measurement (Continued)***

***(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 and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. 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 (ie gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to the asset previously recognised in other comprehensive income, is reclassified into profit or loss.

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

***Impairment***

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired.

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 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 instruments, 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 into profit or loss at this point.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(i) Financial Instruments (Continued)**

***Derecognition***

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

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

**(j) Impairment**

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

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

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

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

**(k) Trade and Other Payables**

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

**(l) Employee Benefits**

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

**(m) Borrowing Costs**

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(n) Provisions**

Provisions are recognised when:

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

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

**(o) Leases**

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

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

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

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

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

**(p) Investments in Associates**

Associates are entities in which the Council has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Council. 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 Council's share of net assets of the associate entity. In addition, Council's share of the profit or loss of the associate entity is included in the Council's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition, whereby the Council'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 Council and the associate are eliminated to the extent of the Council's interest in the associate.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(q) Joint Venture**

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

The Council's interest in joint venture entities are recorded using the equity method of accounting (refer to Note 1(p) for details) in the financial report.

When the Council contributes assets to the joint venture or if the Council purchases assets from the joint venture, only the portion of gain or loss not attributable to the Council's share of the joint venture shall be recognised. The Council recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

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

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

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

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

**(s) Superannuation**

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

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

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

**(u) Rounding Off Figures**

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

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(v) Comparative Figures**

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

**(w) 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 2013**

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

**(x) 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 Council.

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

<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(i) AASB 9 – Financial Instruments	December 2009	01 January 2013	Nil – The objective of this Standard is to improve and simplify the approach for classification and
AASB 2012 – 6 Amendments to Australian Accounting Standards – Mandatory effective date of AASB 9 and Transition Disclosures	September 2012	Deferred AASB 9 until 1 January 2015	measurements of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2009 – 11 Amendments to Australian Accounting Standards arising from AASB 9	December 2009	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)			

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(iii) AASB 2010 – 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2010	01 January 2013	Nil – The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iv) AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, AASB 127 - Separate Financial Statements, AASB 128 - Investments in Associates and Joint Ventures, AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	August 2011	01 January 2013	Nil - None of these, except for AASB 128, are expected to have significant application to the operations of the Council. With respect to AASB 128, where the Council has an interest in a Joint Venture, the requirements of AASB 128 supersede those of the current Joint Venture Standard AASB 131. The new standard more clearly defines the accounting treatment and disclosure in relation to it. Due to the nature of the Joint Venture, it is not expected to have a significant impact on the Council.



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(v) AASB 2011 - 9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	September 2011	01 July 2013	The main change embodied in this standard is the requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. It effects presentation only and is not expected to significantly impact the Council.
(vi) AASB 119 - Employee Benefits, AASB 2011 - 10 Amendments to Australian Accounting Standards arising from AASB 119 [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	September 2011	01 January 2013	The changes in relation to defined benefit plans contained in this standard are not expected to significantly impact the Council nor are the changes to AASBs in relation to termination benefits.
(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 32]	June 2013	01 January 2013	Principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.  This Standard is not expected to significantly impact on the Council's financial statements.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

<b>Title and Topic</b>	<b>Issued</b>	<b>Applicable (*)</b>	<b>Impact</b>
(viii) AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2013	01 January 2014	This Standard adds application guidance to AASB 132: <i>Financial Instruments: Presentation</i> to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.
(ix) AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 101, 116, 132, 134 and Interpretation 2]	June 2012	01 January 2013	This Standard is not expected to significantly impact on the Council's financial statements.  Outlines changes to the various standards and interpretations as listed. These topics are not currently relevant to Council, nor are they expected to be in the future. As a consequence, this Standard is not expected to significantly impact on the Council's financial statements.
(x) AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	December 2012	01 January 2013	Mainly consequential changes relating to transition guidance. It is not expected to have a significant impact on Council.

(\*) Applicable to reporting periods commencing on or after the given date.  
Page 26

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

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

These new and revised standards were:

AASB 2010 – 8  
AASB 2011 - 3  
AASB 2011 - 13

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

The Council also chose to early adopt AASB 13 – *Fair Value Measurement* as allowed for in the standard. For further details with respect to this early adoption, refer to Note 1(g).

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**2. REVENUE AND EXPENSES**

**2013**  
\$

**2012**  
\$

**(a) Net Result**

The Net Result includes:

(i) Charging as an Expense:

**Auditors Remuneration**

- Audit Services	16,462	20,950
- Other Services	2,650	0

**Depreciation**

Buildings	375,257	96,357
Furniture and Equipment	50,395	56,226
Plant and Equipment	205,275	198,326
Motor Vehicles	39,863	38,787
Roads	373,931	354,957
Airfields	1,111	981
Footpaths	3,340	2,729
Parks and Ovals	16,575	12,447
	<u>1,065,747</u>	<u>760,810</u>

**Interest Expenses (Finance Costs)**

Overdraft Interest	142	0
Debentures ( <i>refer Note 21(a)</i> )	35,869	33,778
	<u>36,011</u>	<u>33,778</u>

**Rental Charges**

- Operating Leases	<u>29,692</u>	<u>30,629</u>
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(ii) Crediting as Revenue:

**2013**  
\$

**2013**  
**Budget**  
\$

**2012**  
\$

**Interest Earnings**

Investments			
- Reserve Funds	21,578	11,150	9,967
- Other Funds	15,223	50,000	47,092
Other Interest Revenue ( <i>refer note 26</i> )	11,955	12,100	11,992
	<u>48,756</u>	<u>73,250</u>	<u>69,051</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(b) Statement of Objective**

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

**GOVERNANCE**

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

**Activities:** Administration and operation of facilities and services to members of council; other costs that relate to the task of assisting elected members and ratepayers on 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 playground, administration of Youth Advisory Committee

**HOUSING**

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

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

**COMMUNITY AMENITIES**

**Objective:** Provide services as required by the community

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

**RECREATION AND CULTURE**

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

**Activities:** Maintenance of swimming pool, recreation centre, library, parks, 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:** The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control, plant nursery and standpipes.

**OTHER PROPERTY AND SERVICES**

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(c) Conditions Over Grants/Contributions**

Grant/Contribution		Opening Balance (*) 1-Jul-11 \$	Received (+) 2011/12 \$	Expended (#) 2011/12 \$	Closing Balance (*) 30-Jun-12 \$	Received (+) 2012/13 \$	Expended (#) 2012/13 \$	Closing Balance 30-Jun-13 \$
Function/ Activity								
Grants Commission - Bridge	Transport	206,668	0	(206,668)	0	0	0	0
Roads to Recovery	Transport	226,962	0	(154,000)	72,962	0	(205)	72,757
Office of Crime Prevention	Law & Order	10,000	0	0	10,000	0	(10,000)	0
Office of Crime Prevention	Recreation	10,000	0	0	10,000	0	(10,000)	0
RLCIP	Recreation	28,000	0	(28,000)	0	0	0	0
CLGF - Forward Capital Works	Governance	20,312	0	(20,312)	0	0	0	0
Royalties for Regions (S/Pool)	Recreation	0	312,939	(33,000)	279,939	0	(279,939)	0
MWDC - Childcare Centre	Welfare	0	18,000	0	18,000	1,999	(19,999)	0
CLGF - Staff Housing	Housing	0	235,996	(26,634)	209,362	0	(209,362)	0
MW Regional Grant - ADLS2	Community Amenitie	0	45,000	0	45,000	34,986	(79,986)	0
Dept of Planning - Scheme Review	Community Amenitie	0	40,000	(40,000)	0	0	0	0
Dept of Planning - Townsite Expansion	Community Amenitie	0	40,000	(8,228)	31,772	0	(28,653)	3,119
Crime Prevention	Recreation	0	17,245	0	17,245	0	(17,245)	0
FESA - Emergency Services	Law & Order	0	0	0	0	18,470	(18,470)	0
Local Govt Energy Efficiency	Housing	0	0	0	0	12,869	0	12,869
CSRFF - Swimming Pool	Recreation	0	0	0	0	272,546	(272,546)	0
Tidy Towns - Tourism	Economic Services	0	0	0	0	750	0	750
Workforce Development Plan	Governance	0	0	0	0	25,000	(25,000)	0
Dept Health & Aging - Infra	Welfare	0	0	0	0	13,971	(13,971)	0
Lotterywest - Playground	Recreation	0	0	0	0	30,000	(30,000)	0
MWDC - Main St Master Plan	Community Amenitie	0	0	0	0	6,750	0	6,750
Three Springs Revitalisation Plan	Community Amenitie	0	0	0	0	16,000	(4,400)	11,600
Regional Road Group	Transport	0	0	0	0	262,264	(262,264)	0
<b>Total</b>		<b>501,942</b>	<b>709,180</b>	<b>(516,842)</b>	<b>694,280</b>	<b>695,605</b>	<b>(1,282,040)</b>	<b>107,845</b>

**Notes:**

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

(+) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013 \$	2012 \$
<b>3. CASH AND CASH EQUIVALENTS</b>		
Cash - Unrestricted	650	650
Cash at Bank - Municipal	295,307	713,016
Restricted Cash - Reserves	483,313	461,735
	<u>779,270</u>	<u>1,175,401</u>
 Cash at Bank - Municipal		
Unrestricted	187,462	18,736
Restricted - Unspent Grants	107,845	694,280
	<u>295,307</u>	<u>713,016</u>
 The following restrictions have been imposed by regulations or other externally imposed requirements:		
<u>Reserve Funds</u>		
Leave Reserve	112,861	107,822
Plant Reserve	118,862	113,555
Housing and Development Reserve	70,822	67,660
Joint Venture Housing Reserve	107,966	103,146
Gravel Pit Reserve	41,054	39,221
Swimming Pool Rec Equipment Reserve	31,748	30,331
TOTAL Reserves	<u>483,313</u>	<u>461,735</u>
 Unspent Grants	107,845	694,280
TOTAL RESTRICTED CASH	<u>591,158</u>	<u>1,156,015</u>
 <b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Rates Outstanding	61,168	46,243
Sundry Debtors	92,174	608,699
Provision for doubtful debts	(27,432)	(18,213)
	<u>125,910</u>	<u>636,729</u>
<b>Non-Current</b>		
Rates Outstanding - Pensioners	14,404	10,077
Loans - Clubs/Institutions	0	0
	<u>14,404</u>	<u>10,077</u>
 <b>5. INVENTORIES</b>		
<b>Current</b>		
Fuel	10,407	5,887
Medical Centre Stock	6,183	9,741
	<u>16,590</u>	<u>15,628</u>
<b>Non-Current</b>		
Land Held for Resale - Cost		
Cost of Acquisition	0	8,000
	<u>0</u>	<u>8,000</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013 \$	2012 \$
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2013	902,000	0
- Cost	<u>0</u>	<u>4,556</u>
	902,000	4,556
Buildings at:		
- Independent Valuation 2013	12,223,543	0
- Cost	0	5,223,819
Less Accumulated Depreciation	<u>(351,784)</u>	<u>(1,601,548)</u>
Total Buildings	11,871,759	3,622,271
Total Land and Buildings	<u>12,773,759</u>	<u>3,626,827</u>
Furniture and Equipment - Cost	815,264	786,662
Less Accumulated Depreciation	<u>(607,122)</u>	<u>(555,001)</u>
	208,142	231,661
Plant and Equipment -Independent Valuation 2013	1,309,603	0
Plant and Equipment -Management Valuation 2013	74,020	0
Plant and Equipment - Cost	0	2,526,396
Less Accumulated Depreciation	<u>0</u>	<u>(1,231,642)</u>
	1,383,623	1,294,754
Motor Vehicles -Independent Valuation 2013	222,000	0
Motor Vehicles -Management Valuation 2013	32,000	0
Motor Vehicles - Cost	0	356,871
Less Accumulated Depreciation	<u>0</u>	<u>(70,671)</u>
	254,000	286,200
	<u>14,619,524</u>	<u>5,439,442</u>



**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**6. PROPERTY, PLANT AND EQUIPMENT continued**

**Land:**

The Shire's Land was revalued at 30 June 2013 by independent valuers. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall increase of \$942,367 in the net value of the Shire's Land. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(b) for further details) and was recognised as Changes in Revaluation of non-current Assets in the Statement of Comprehensive Income.

During the revaluation process some land assets were identified which were not previously recognised. These assets have been recognised at market valuation.

**Buildings:**

Some of the Shire's Buildings were revalued on 1 August 2012 and the balance were revalued on 30 June 2013 by independent valuers. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

The revaluation resulted in an overall increase of \$7,562,264 in the net value of the Shire's Buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(b) for further details) and was recognised as Changes in Revaluation of non-current Assets in the Statement of Comprehensive Income.

**Plant and Equipment:**

The Shire's Plant and Equipment were revalued at 30 June 2013 by independent valuers and management valuation.

All of the valuations by the independent valuers were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

These revaluations resulted in an overall increase of \$247,916 in the net value of the Shire's plant and equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12 (c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

The items of Plant and Equipment revalued by management were revalued having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining useful life (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, these assets are deemed to have been valued using Level 3 inputs.

These 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 potential to result in a significantly higher or lower fair value measurement.

These revaluations resulted in an overall increase of \$6,239 in the net value of the Shire's plant and equipment. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12 (c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**6. PROPERTY, PLANT AND EQUIPMENT continued**

**Motor Vehicles:**

The Shire's Motor Vehicles were revalued at 30 June 2013 by independent valuers and management valuation.

All of the valuations by the independent valuers were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 2 inputs in the fair value hierarchy).

These revaluations resulted in an overall increase of \$6,595 in the net value of the Shire's Motor Vehicles. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12 (c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

The items of Motor Vehicles revalued by management were revalued having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining useful life (Level 3 inputs).

Given the significance of the Level 3 inputs into the overall fair value measurement, these assets are deemed to have been valued using Level 3 inputs.

These 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 potential to result in a significantly higher or lower fair value measurement.

These revaluations resulted in an overall decrease of \$1,487 in the net value of the Shire's Motor Vehicles. All of this decrease was debited to the revaluation surplus in the Shire's equity (refer Note 12 (c) for further details) and was recognised as changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in Carrying Amounts

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

	Land (Level 2) \$	Buildings (Level 2) \$	Total Land and Buildings \$	Plant and Equipment (Level 2) \$	Plant and Equipment (Level 3) \$	Motor Vehicles (Level 2) \$	Motor Vehicles (Level 3) \$	Furniture and Equipment \$	Total \$
Balance as at the beginning of the year	4,556	3,622,271	3,626,827	1,209,380	85,374	243,978	42,222	231,661	5,439,442
Additions	0	1,225,516	1,225,516	36,355	63,410	24,502	0	26,876	1,376,659
(Disposals)	(50,000)	(80,093)	(130,093)	0	(2,179)	(21,946)	0	0	(154,218)
Revaluation - Increments / (Decrements)	942,367	7,562,264	8,504,631	247,917	6,239	6,594	(1,487)	0	8,763,894
Assets Reclassified	5,077	(82,942)	(77,865)	0	(57,598)	0	0	0	(135,463)
Depreciation (Expense)	0	(375,257)	(375,257)	(184,049)	(21,226)	(31,128)	(8,735)	(50,395)	(670,790)
Carrying amount at the end of year	<u>902,000</u>	<u>11,871,759</u>	<u>12,773,759</u>	<u>1,309,603</u>	<u>74,020</u>	<u>222,000</u>	<u>32,000</u>	<u>208,142</u>	<u>14,619,524</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>7. INFRASTRUCTURE</b>		
Roads - Management Valuation 2005	0	29,291,210
Roads - Cost	0	7,302,310
Roads - Management Valuation 2013	33,177,598	0
Less Accumulated Depreciation	<u>0</u>	<u>(17,895,976)</u>
	33,177,598	18,697,544
Footpaths - Cost	0	133,594
Footpaths - Management Valuation 2013	78,006	0
Less Accumulated Depreciation	<u>0</u>	<u>(14,359)</u>
	78,006	119,235
Airfield - Cost	93,691	55,546
Less Accumulated Depreciation	<u>(41,221)</u>	<u>(14,533)</u>
	52,470	41,013
Parks & Ovals - Cost	724,679	492,383
Less Accumulated Depreciation	<u>(277,752)</u>	<u>(150,897)</u>
	446,927	341,486
	<u>33,755,001</u>	<u>19,199,278</u>

**Roads:**

The Shire's Road Infrastructure was revalued on 30 June 2013 by management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs).

Given the significance of the Level 3 inputs in to the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

These 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 potential to result in a significantly higher or lower fair value measurement.

The revaluation resulted in an overall increase of \$13,680,443 in the net value of the Shire's Road Infrastructure. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(a) for further details) and was recognised as changes in Revaluation of non-current assets in the Statement of Comprehensive Income.

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**7. INFRASTRUCTURE (Continued)**

**Footpaths:**

The Shire's Footpath Infrastructure was revalued on 30 June 2013 by management valuation having regard for their current replacement cost, condition assessment (Level 2 inputs in the fair value hierarchy), residual values and remaining estimated useful life (Level 3 inputs).

Given the significance of the Level 3 inputs in to the overall fair value measurement, the assets are deemed to have been valued using Level 3 inputs.

These 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 potential to result in a significantly higher or lower fair value measurement.

The revaluation resulted in an overall decrease of \$37,889 in the net value of the Shire's Footpath Infrastructure. All of this decrease was recognised as a loss in the Statement of Comprehensive Income.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**7. INFRASTRUCTURE (Continued)**

**Movements in Carrying Amounts**

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

	<b>Roads</b> <b>\$</b>	<b>Footpaths</b> <b>\$</b>	<b>Airfield</b> <b>\$</b>	<b>Parks and Ovals</b> <b>\$</b>	<b>Total</b> <b>\$</b>
Balance at the beginning of the year	18,697,544	119,235	41,013	341,486	19,199,278
Additions	799,610	0	0	15,708	815,318
(Write-offs)	(15,832)	0	0	0	(15,832)
Reclassification	16,587	0	12,568	106,308	135,463
Revaluation - Increments	14,053,620	0	0	0	14,053,620
- (Decrements)	0	(37,889)	0	0	(37,889)
Depreciation (Expense)	(373,931)	(3,340)	(1,111)	(16,575)	(394,957)
<b>Carrying amount at the end of year</b>	<b>33,177,598</b>	<b>78,006</b>	<b>52,470</b>	<b>446,927</b>	<b>33,755,001</b>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**2013**  
\$

**2012**  
\$

**8. TRADE AND OTHER PAYABLES**

**Current**

Sundry Creditors	76,099	250,681
PAYG Liability	197	59
Accrued Interest on Debentures	11,889	14,100
Accrued Salaries and Wages	36,634	39,195
	<u>124,819</u>	<u>304,035</u>

**9. LONG-TERM BORROWINGS**

**Current**

Secured by Floating Charge		
Debentures	126,757	120,612
Lease Liability	0	0
	<u>126,757</u>	<u>120,612</u>

**Non-Current**

Secured by Floating Charge		
Debentures	510,880	637,637
Lease Liability	0	0
	<u>510,880</u>	<u>637,637</u>

Additional detail on borrowings is provided in Note 21.

**10. PROVISIONS**

**Current**

Provision for Annual Leave	114,379	112,732
Provision for Long Service Leave	51,292	39,016
	<u>165,671</u>	<u>151,748</u>

**Non-Current**

Provision for Long Service Leave	41,475	28,198
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**TOTAL PROVISIONS**

<u>207,146</u>	<u>179,946</u>
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	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance as at 1 July 2012	112,732	67,214	179,946
Additional provisions	1,647	25,553	27,200
Balance at 30 June 2013	<u>114,379</u>	<u>92,767</u>	<u>207,146</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013 \$	2013 Budget \$	2012 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Leave Reserve</b>			
Opening Balance	107,822	107,822	78,402
Amount Set Aside / Transfer to Reserve	5,039	5,000	29,420
Amount Used / Transfer from Reserve	0	0	0
	<u>112,861</u>	<u>112,822</u>	<u>107,822</u>
<b>(b) Plant Reserve</b>			
Opening Balance	113,555	113,555	12,832
Amount Set Aside / Transfer to Reserve	5,307	1,000	100,723
Amount Used / Transfer from Reserve	0	0	0
	<u>118,862</u>	<u>114,555</u>	<u>113,555</u>
<b>(c) Housing and Development Reserve</b>			
Opening Balance	67,660	67,660	16,717
Amount Set Aside / Transfer to Reserve	3,162	28,797	50,943
Amount Used / Transfer from Reserve	0	0	0
	<u>70,822</u>	<u>96,457</u>	<u>67,660</u>
<b>(d) Joint Venture Housing Reserve</b>			
Opening Balance	103,146	103,146	50,310
Amount Set Aside / Transfer to Reserve	4,820	2,000	52,836
Amount Used / Transfer from Reserve	0	0	0
	<u>107,966</u>	<u>105,146</u>	<u>103,146</u>
<b>(e) Gravel Pit Reserve</b>			
Opening Balance	39,221	39,221	13,462
Amount Set Aside / Transfer to Reserve	1,833	1,000	25,759
Amount Used / Transfer from Reserve	0	0	0
	<u>41,054</u>	<u>40,221</u>	<u>39,221</u>
<b>(f) Swimming Pool Equipment Reserve</b>			
Opening Balance	30,331	30,331	5,046
Amount Set Aside / Transfer to Reserve	1,417	500	25,285
Amount Used / Transfer from Reserve	0	0	0
	<u>31,748</u>	<u>30,831</u>	<u>30,331</u>
<b>TOTAL CASH BACKED RESERVES</b>	<u><u>483,313</u></u>	<u><u>500,032</u></u>	<u><u>461,735</u></u>



**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**11. RESERVES - CASH BACKED (continued)**

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

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

Leave Reserve

- to be used to fund long service leave requirements

Plant Reserve

- to be used for plant replacement, upgrade or purchase

Housing and Development Reserve

- to be used to fund development projects

Joint Venture Housing Reserve

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

Gravel Pit Reserve

- to be used for rehabilitation of disused gravel pits

Swimming Pool Equipment Reserve

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

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

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

<b>12. RESERVES - ASSET REVALUATION</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Asset revaluation reserves have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Roads</b>		
Opening balance	1,346,951	1,346,951
Revaluation Increment	14,053,620	0
Revaluation Decrement	0	0
	<u>15,400,571</u>	<u>1,346,951</u>
<b>(b) Land and Buildings</b>		
Opening Balance	0	0
Revaluation Increment	8,504,631	0
	<u>8,504,631</u>	<u>0</u>
<b>(c) Plant and Equipment</b>		
Opening Balance	0	0
Revaluation Increment	254,156	0
	<u>254,156</u>	<u>0</u>
<b>(d) Motor Vehicles</b>		
Opening Balance	0	0
Revaluation Increment	5,107	0
	<u>5,107</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION RESERVES</b>	<u><u>24,164,465</u></u>	<u><u>1,346,951</u></u>
<b>Movements in Current Year</b>		
Revaluation Increments	<u>22,812,407</u>	<u>0</u>
	<u>22,812,407</u>	<u>0</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**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:

	2013 \$	2013 Budget \$	2012 \$
Cash and Cash Equivalents	<u>779,270</u>	<u>650,031</u>	<u>1,175,401</u>

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

Net Result	281,258	1,374,485	1,748,091
Depreciation	1,065,747	765,400	760,810
(Profit)/Loss on Sale of Asset	(86,239)	(2,000)	(71,424)
Loss on Revaluation of Assets	37,889	0	0
(Increase)/Decrease in Receivables	506,492	414,698	(461,889)
(Increase)/Decrease in Inventories	(962)	5,109	18,774
Increase/(Decrease) in Payables	(179,216)	318,480	(142,174)
Increase/(Decrease) in Employee Provisions	27,200	25,000	59,442
Grants/Contributions for the Development of Assets	(628,129)	(1,416,857)	(1,512,457)
Non-Current Assets recognised due to changes in legislative requirements	0	0	0
Net Cash from Operating Activities	<u>1,024,040</u>	<u>1,484,315</u>	<u>399,173</u>

**(c) Undrawn Borrowing Facilities**  
**Credit Standby Arrangements**

Bank Overdraft limit	300,000	0
Bank Overdraft at Balance Date	0	0
Credit Card limit	14,500	14,000
Credit Card Balance at Balance Date	0	(663)
<b>Total Amount of Credit Unused</b>	<u>314,500</u>	<u>13,337</u>

**Loan Facilities**

Loan Facilities - Current	126,757	120,612
Loan Facilities - Non-Current	510,880	637,637
<b>Total Facilities in Use at Balance Date</b>	<u>637,637</u>	<u>758,249</u>

<b>Unused Loan Facilities at Balance Date</b>	<u>0</u>	<u>0</u>
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**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**14. CONTINGENT LIABILITIES**

There are no known contingent liabilities.

**15. CAPITAL AND LEASING COMMITMENTS**

**(a) Finance Lease Commitments**

Council has no Finance Lease Commitments.

**(b) Operating Lease Commitments**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Payable:		
- not later than one year	18,987	27,589
- later than one year but not later than five years	10,705	53,415
- later than five years	0	0
	<u>29,692</u>	<u>81,004</u>

**(c) Capital Expenditure Commitments**

Contracted for:		
Swimming Pool Project	0	819,500
Staff Housing	0	350,521
Group Housing Project	400,000	0
Perenjori Road Bridge	728,182	0

Payable:		
- not later than one year	<u>1,128,182</u>	<u>1,170,021</u>

The capital expenditure projects outstanding at the end of the current reporting period represents the construction of a Duplex/Group Housing funded through Royalties for Regions and the upgrade of the Perenjori Road Bridge funded through State and Federal funds.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**16. JOINT VENTURE**

The Shire together with the Department of Housing and Works constructed 4 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 (1, 2, 3, 4) and a 15.35% equity in the last two units (Units 5 & 6) in this development and is included in Land and Buildings as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current Assets</b>		
Land and Buildings	177,924	168,239
Less: Accumulated Depreciation	<u>(3,279)</u>	<u>(34,859)</u>
	<u><u>174,645</u></u>	<u><u>133,380</u></u>

The Shire together with the Department of Housing and Works constructed 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 follows:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Non-Current Assets</b>		
Land and Buildings	71,648	29,805
Less: Accumulated Depreciation	<u>(1,151)</u>	<u>(9,490)</u>
	<u><u>70,497</u></u>	<u><u>20,315</u></u>

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

Governance	891,057	135,651
General Purpose Funding	236,545	53,980
Law, Order, Public Safety	361,079	114,778
Health	1,836,920	495,529
Education and Welfare	18,211	18,000
Housing	3,232,586	1,533,939
Community Amenities	326,630	102,461
Recreation and Culture	4,931,270	2,080,700
Transport	34,955,838	20,271,219
Economic Services	258,448	88,821
Other Property and Services	949,831	347,581
Unallocated	<u>1,312,284</u>	<u>1,241,896</u>
	<u><u>49,310,699</u></u>	<u><u>26,484,555</u></u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

	2013	2012	2011
<b>18. FINANCIAL RATIOS</b>			
Current Ratio	1.09	1.43	1.53
Asset Sustainability Ratio	0.87	2.04	1.81
Debt Service Cover Ratio	4.82	5.65	8.39
Operating Surplus Ratio	(0.13)	0.09	0.09
Own Source Revenue Coverage Ratio	0.64	0.65	0.73

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

**Notes:**

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 57 of this document.

One of the 2013 ratios disclosed above are distorted by items totalling \$37,889 relating to the loss on revaluation of Footpath Assets (refer to Note 7 for further details).

This item forms part of operating expenditure and has been included in the calculations above.

This item of expenditure is considered to be "one-off" and is non-cash in nature and, if it were ignored, the calculations disclosed in the 2013 column above would be as follows:

	<b>2013</b>
Debt Service Cover Ratio	5.06

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1-Jul-12 \$	New Loans \$	Principal Repayments		Principal 30-Jun-13		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Recreation &amp; Culture</b>								
Loan 156 - Pool Upgrade	105,413		12,794	12,794	92,619	92,619	5,354	5,440
New Loan - Swimming Pool	0		0	0	0	200,000	0	0
<b>Transport</b>								
Loan 157 - Grader	202,843		20,330	20,330	182,513	182,513	11,839	12,127
Loan 158 - Bobcat	41,112		12,961	12,961	28,151	28,151	1,896	2,104
Loan 159 - Plant	408,881		74,527	74,527	334,354	334,354	16,780	17,922
	758,249	0	120,612	120,612	637,637	837,637	35,869	37,593

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2012/13

Particulars/Purpose	Amount Borrowed		Institution	Loan Type	Term (Years)	Total Interest & Charges \$	Interest Rate %	Amount Used		Balance Unspent \$
	Actual \$	Budget \$						Actual \$	Budget \$	
Swimming Pool Upgrade	0	200,000	WA Treasury	Debenture	20	0		0	200,000	0

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**21. INFORMATION ON BORROWINGS (Continued)**

**(c) Unspent Debentures**

There are no unspent debentures.

**(d) Overdraft**

Council established an overdraft facility of \$300,000 in 2013 to assist with short term liquidity requirements. The balance of the bank overdraft at 1 July 2012 and 30 June 2013 was \$Nil.  
Reference: Minutes 17 April 2013, Item 9.2.7, Resolution 130410



SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013

22. RATING INFORMATION - 2012/13 FINANCIAL YEAR

(a) Rates

RATE TYPE		Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
<b>Differential General Rate</b>												
GRV - Residential		9.5000	202	1,898,540	180,361	3,750	838	184,949	180,361			180,361
GRV - Mining		31.8000	2	255,500	81,249	2,993	(9)	84,233	81,249			81,249
UV - Rural		1.3033	181	99,427,000	1,295,832	575		1,296,407	1,295,832			1,295,832
UV - Mining		5.7058	17	355,597	20,290			20,290	20,290			20,290
UV - Arrino Town		1.3033	0	0					0			0
<b>Sub-Totals</b>			402	101,936,637	1,577,732	7,318	829	1,585,879	1,577,732	0	0	1,577,732
<b>Minimum Rates</b>		<b>Minimum \$</b>										
GRV - Residential		400	23	17,589	9,200	698		9,898	9,200			9,200
UV - Rural		400	18	277,100	7,200			7,200	7,200			7,200
UV - Mining		400	13	32,830	5,200	181		5,381	5,200			5,200
UV - Arrino Town		400	5	4,200	2,000			2,000	2,000			2,000
<b>Sub-Totals</b>			59	331,719	23,600	879	0	24,479	23,600	0	0	23,600
Discounts (refer note 25)								1,610,358				1,601,332
								(101,835)				(99,282)
								1,508,523				1,502,050
								(14,937) (200)				0 0
Movement in Excess Rates Rates Written Off								1,493,386				1,502,050
Total Amount Raised from General Rate												

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**22. RATING INFORMATION - 2012/13 FINANCIAL YEAR (Continued)**

(b) Information on Surplus/(Deficit)	2013 (30 June 2013 Carried Forward) \$	2013 (1 July 2012 Brought Forward) \$	2012 (30 June 2012 Carried Forward) \$
<b>Surplus/(Deficit) - Rate Setting Statement</b>	<u>260,829</u>	<u>1,018,060</u>	<u>1,061,986</u>
<b><u>Comprises:</u></b>			
Cash - Unrestricted	188,112	19,386	19,386
Cash - Restricted	107,845	694,280	694,280
Reserves - Restricted	483,313	461,735	461,735
Rates - Current	61,168	43,904	43,904
Sundry Debtors	92,174	608,699	608,699
ESL Debtors	0	2,338	2,338
Provision for Doubtful Debts	(27,432)	(18,213)	(18,213)
GST Receivable		0	0
Inventories			
- Fuel and Materials	16,591	15,628	15,628
<b><u>Less:</u></b>			
Reserves - Restricted Cash			
- Leave Reserve	(112,861)	(107,822)	(107,822)
- Plant Reserve	(118,862)	(113,555)	(113,555)
- Housing and Development	(70,822)	(67,660)	(67,660)
- Joint Venture Housing	(107,966)	(103,146)	(103,146)
- Gravel Pit	(41,054)	(39,221)	(39,221)
- Swimming Pool Equipment	(31,748)	(30,331)	(30,331)
Sundry Creditors	(76,099)	(250,700)	(250,700)
GST Payable	0	18	18
Current Loan Liability	(126,757)	(120,612)	0
Payroll Creditors	(197)	(59)	(59)
Accrued Interest on Debentures	(11,889)	(14,100)	(14,100)
Accrued Salaries and Wages	(36,634)	(39,195)	(39,195)
Current Employee Benefits Provision	(165,671)	(151,748) *	0
Add Back:			
Portion of Leave Liability not required to be funded	112,861	107,822 *	0
Current Loan Liability	126,757	120,612	0
<b>Surplus/(Deficit)</b>	<u>260,829</u>	<u>1,018,060</u>	<u>1,061,986</u>
<b>Difference:</b>			

\*There is a difference between the Surplus/(Deficit) 1 July 2012 Brought Forward position used in the 2013 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2012 audited financial report due to current employee benefits provision and employee leave liability reserve which has now been added back.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**23. SPECIFIED AREA RATE - 2012/13 FINANCIAL YEAR**

No specified area rates were levied during 2012/2013.

**24. SERVICE CHARGES - 2012/13 FINANCIAL YEAR**

No service charges were imposed during 2012/2013.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
- 2012/13 FINANCIAL YEAR**

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	7.50%	101,835	99,282
Rate Assessment	Write-Off		200	0

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

**26. INTEREST CHARGES AND INSTALMENTS - 2012/13 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		10,490	11,000
Interest on Instalments Plan	5.50%		1,282	1,100
Interest on ESL	11.00%		183	0
Charges on Instalment Plan		10	930	1,150
			12,885	13,250

Ratepayers had the option of paying rates in four equal instalments, due on 28th September 2012, 14th December 2012, 1st March 2013 and 17th May 2013. Administration charges and interest applied for the final three instalments.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

<b>27. FEES &amp; CHARGES</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Governance	7,413	5,032
General Purpose Funding	4,930	4,930
Law, Order, Public Safety	8,700	1,413
Health	561,238	574,472
Education and Welfare	0	0
Housing	0	112,173
Community Amenities	62,276	90,119
Recreation and Culture	13,565	20,147
Transport	114,230	14,183
Economic Services	5,874	131,434
Other Property and Services	144,721	19,989
	<u>922,947</u>	<u>973,892</u>

There were changes during the year to the amount of the fees or charges detailed in the original budget.  
This was to Medical Centre Fees which were amended in December 2012, Council Resolution 121205 - Item 9.2.2.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**28. GRANT REVENUE**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature and Type:</b>		
Operating Grants, Subsidies and Contributions	1,138,662	1,634,629
Non-Operating Grants, Subsidies and Contributions	628,129	1,512,457
	<u>1,766,791</u>	<u>3,147,086</u>
 <b>By Program:</b>		
Governance	39,741	30,909
General Purpose Funding	779,668	1,079,666
Law, Order, Public Safety	134,354	162,107
Health	63,296	618,741
Education and Welfare	17,661	24,800
Housing	25,069	267,700
Community Amenities	23,487	125,111
Recreation and Culture	315,398	492,155
Transport	336,067	324,203
Economic Services	17,853	19,500
Other Property and Services	14,197	2,194
	<u>1,766,791</u>	<u>3,147,086</u>

**29. ELECTED MEMBERS REMUNERATION**

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

	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Meeting Fees	13,046	11,250	11,820
President's Allowance	5,000	5,000	5,000
Deputy President's Allowance	1,250	1,250	1,250
Travelling Expenses	293	500	1,060
Telecommunications Allowance	0	0	0
	<u>19,589</u>	<u>18,000</u>	<u>19,130</u>

**30. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<b>2013</b>	<b>2012</b>
<u>23</u>	<u>22</u>

**SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013**

**31. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2012/13 financial year.

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2012/13 financial year.

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

**33. FINANCIAL RISK MANAGEMENT**

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	779,270	1,175,401	779,270	1,175,401
Receivables	140,314	646,806	140,314	646,806
	<u>919,584</u>	<u>1,822,207</u>	<u>919,584</u>	<u>1,822,207</u>
<b>Financial Liabilities</b>				
Payables	124,819	304,035	124,819	304,035
Borrowings	637,637	758,249	635,320	758,249
	<u>762,456</u>	<u>1,062,284</u>	<u>760,139</u>	<u>1,062,284</u>

Fair value is determined as follows:

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

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(a) Cash and Cash Equivalents**

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. 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 and investments is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% (*) movement in interest rates on cash and investments:		
- Equity	7,793	11,754
- Statement of Comprehensive Income	7,793	11,754



**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

**(b) Receivables**

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

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

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

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

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

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

	<b>2013</b>	<b>2012</b>
<b>Percentage of Rates and Annual Charges</b>		
- Current	0.00%	0.00%
- Overdue	100.00%	100.00%
<b>Percentage of Other Receivables</b>		
- Current	84.04%	99.75%
- Overdue	15.96%	0.25%

SHIRE OF THREE SPRINGS  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2013

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables  
Borrowings

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

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

	<u>2013</u>				
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables	124,819	0	0	124,819	124,819
Borrowings	158,694	496,785	83,505	738,984	637,637
	<u>283,513</u>	<u>496,785</u>	<u>83,505</u>	<u>863,803</u>	<u>762,456</u>
	<u>2012</u>				
Payables	304,035	0	0	304,035	304,035
Borrowings	0	578,827	377,207	956,034	758,249
	<u>304,035</u>	<u>578,827</u>	<u>377,207</u>	<u>1,260,069</u>	<u>1,062,284</u>

**SHIRE OF THREE SPRINGS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2013**

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

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

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

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

						Weighted Average Effective Interest Rate %	
	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$
<b>Year Ended 30 June 2013</b>							
Payables							
Borrowings							
<b>Fixed Rate</b>							
Debentures	0	28,151	0	334,354	0	275,132	637,637
Weighted Average Effective Interest Rate	0.00%	5.55%	0.00%	4.59%	0.00%	5.86%	5.18%
<b>Year Ended 30 June 2012</b>							
Payables							
Borrowings							
<b>Fixed Rate</b>							
Debentures	0	0	0	41,112	408,881	308,256	758,249
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	5.55%	4.59%	5.85%	5.16%

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

We have audited the accompanying financial report of the Shire of Three Springs, which comprises the statement of financial position as at 30 June 2013, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT**

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

**AUDITOR'S RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

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

**AUDITOR'S OPINION**

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

- a giving a true and fair view of the Shire's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

During the course of the audit we became aware of the following instance where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended):

**Annual Budget Review**

A copy of the Annual Budget Review for the year ended 30 June 2013 was not submitted to the Department within 30 days of its adoption as required by Financial Management Regulation 33A.

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 other 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 62 of this report, we have reviewed the calculation for the Asset Consumption ratio as presented and nothing has come to our attention to suggest it is not:
  - i) reasonably calculated; and
  - ii) based on verifiable information.

The Asset Renewal Funding Ratio was not calculated and no review was carried out.

- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON  
CHARTERED ACCOUNTANTS

Date: 7 March 2014  
Perth, WA

  
GREG GODWIN  
PARTNER

**SHIRE OF THREE SPRINGS  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2013**

**RATIO INFORMATION**

The following information relates to these 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.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Asset Consumption Ratio	<b>0.73</b>	<b>N/A</b>	<b>N/A</b>
Asset Renewal Funding Ratio	<b>NC</b>	<b>N/A</b>	<b>N/A</b>

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A -In keeping with amendments to Local Government (Financial Management) Regulation 50, comparatives for the two preceding years (being 2012 and 2011) have not been reported as financial information is not available.**

**NC - information to enable the calculation of this ratio is not available at this time**