

Our Vision: Three Springs becomes a healthy and unified community with a bright future



Our Values:

- A commitment to work together and respect each other
- To be a community that is fair minded, approachable, tolerant and responsive
- To have a regional focus
- To be an innovative and forward thinking community

Annual Financial Report

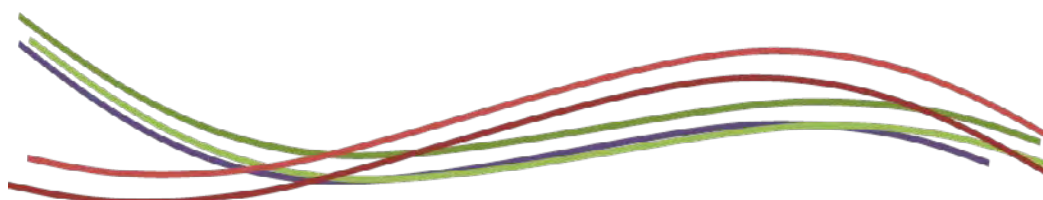
2018-2019

Shire of Three Springs

Adopted: 11 December 2019



"Heart of North Midlands"



Shire of Three Springs
132 Railway Road
Three Springs WA 6519
P: 08 9954 1001
F: 08 9954 1183
E: admin@threesprings.wa.gov.au
W: www.threesprings.wa.gov.au

Shire President's Report

It is my pleasure to take this opportunity as your President to present to electors and ratepayers my report on the activities of the Shire of Three Springs for the financial year 1st July, 2018 through to 30th June, 2019.

March 2019 election saw the departure of Cr Jenny Lake, and we thank her for her service to Council.

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

Tourism is becoming a real focus for the region and we are pleased to be part of AstroTourism WA, holding our first event in February 2019. The Visitors Centre and their hard working volunteers continue to be a valuable asset to our town. Three Springs Wildflower Show and Art Exhibition held annually in August is a big draw card for visitors. Along with the Off Road Racing in September, these two events are a credit to the organisers and are talked about by people from all over Australia.

Council endeavour to support all forms of sport and recreation. Our sporting groups continue to battle with dwindling numbers of both players and volunteers. A tough year for the Bombers Football Club saw them voluntary sit out the finals as the club reforms. Congratulations to all sporting and recreation groups who encouraged members to be active and connected to community; Arrino cropping rights were held by the Golf Club for the past 3 years, and were allocated to the Sports Club for 2020-23. These rights assist groups to fundraise to undertake major projects, such as refurbishment of buildings and purchasing of equipment.

Major projects completed in 2018/19 were the installation of 21 CCTV cameras (funding provided through the Safer Communities program), resurfacing of the pool and gravel sheeting and resealing on rural roads. Construction of the Early Childhood Learning Centre was the major project of the year, and we thank the Midwest Development Commission, LotteryWest, and Building Better Regions Fund for their support. The ECLC will see the number of places for Childcare increase from 12 to 19, which is a major benefit to attracting and keeping families in our Shire.

2019 saw the reformation of the Three Springs Local Emergency Management Committee, and the development of the Local Emergency Management Arrangements. To our wonderful volunteers, emergency, sporting and community – a massive THANK YOU. Without your tireless work and contribution, Three Springs would not be the strong, connected, kind community that I am very proud to be a part of.

On behalf of electors and ratepayers, I take this opportunity to thank each Councillor past and present for their efforts and input during the 2018/2019 financial year. If not for their support and contribution Council would not be able to provide the high level of facilities and services to our community. My appreciation is extended to Councillors' partners and families for their support which has allowed Councillors to dedicate their time to Council.

I am very proud and honoured to serve the Shire of Three Springs as a Councillor and as President. For the support, encouragement and advice I have received, I am extremely grateful.

Finally, on behalf of my fellow Councillors, I wish to thank the CEO Sylvia Yandle (currently enjoying her family in retirement), and staff for their support throughout 2018/19 and look forward to working with you all in 2019/20.

Cr Chris Lane

CHIEF EXECUTIVE OFFICER REPORT

It is with great pride that I can report on the past year's achievements where the Shire of Three Springs has taken significant strides in making our town more liveable for our residents.

During the 2018-19 reporting period the Shire of Three Springs (SoTS) delivered on key strategic priorities to continue to strengthen the performance, sustainability, integrity, transparency and accountability of the Shire.

All of the Shire's successes are the result of a great deal of hard work and dedication by the Councillors, staff and the community. I thank them all for their considerable efforts, and look forward to what we can achieve together in the coming years.

The major initiatives that are proposed to commence or to continue in the next financial year 2020/21:

1. Implement the Strategic Community Plan, Economic Development objectives
2. Promote business networking, planning and collaboration
3. Develop land that supports business growth and diversification
4. Continue to implement the main street and Duffy's store Revitalisation Plan
5. Review the 'Plan for the Future' informing strategies

I am excited about future prospects for us as a community.

STATUTORY REPORTS

GOVERNANCE AND STATUTORY REPORTING STANDARDS

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

INTEGRATED PLANNING AND REPORTING

All local Governments are required to plan for the future under Section of 5.56 (1) of the Local Government Act 1995 with minimum requirement of the plans is the development of a Strategic Community Plan and a Corporate Business Plan.

The Corporate Business Plan represents the views, needs and future plans for the community, these plans are addressed each financial year in the annual budget process. The Corporate Business Plan 2017 – 2021 was adopted in June 2018.

The Strategic Community Plan was reviewed and endorsed in 2018/2019. The plan is part of Council's ongoing commitment to an integrated approach for future years. It provides Council and the community with a picture of Council's long term goals and objectives for the next ten years.

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

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

Section 96 of the Freedom of information Act requires local governments to publish an Information Statement. The Statement indicates that the Shire is responsible for the good governance of the Shire and carries out functions as required including statutory compliance and provision of services and facilities.

The Shire of Three Springs has a requirement to comply with the Freedom of Information Act. The Freedom of Information Statement stand-alone document was presented to Council for endorsement in 2018/2019 financial year and is available on Council website www.threesprings.wa.gov.au.

During 2018/2019 there were no Freedom of Information requests submitted.

PUBLIC INTEREST DISCLOSURES

The Public Interest Disclosure Code was established by the Commissioner of Public Sector Standards under Section 20 of the Public Interest Disclosure Act, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

Matters that fall under the category of public interest include:-

- Improper conduct (irregular or unauthorised use of public resources)
- An offence under State Law including corruption (substantial unauthorised or irregular use of, or substantial mismanagement of public monies;
- Administration matters generally (conduct involving a substantial risk of injury to public health, prejudice to public safety or harm to the environment.

There is an obligation of the Public Interest Disclosure Officer in the Public Interest Disclosure Act to ensure that the disclosure is confidential and that the person making a disclosure is provided adequate protection from reprisals, civil and criminal liability or breach of confidentiality.

No Public Interest Disclosures were received during 2018/2019.

NATIONAL COMPETITION POLICY (NCP)

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

Local government will mainly be affected where it operates significant business activities (defined as one that generates an annual income from fees and charges exceeding \$200,000) that compete or could compete with private sector business. Local government will also be impacted where its local laws unnecessarily affect competition. A full review of Shire of Three Springs Local Laws will be undertaken during 2019/2020.

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

RECORDS

In accordance with the State Records Act the Shire is required to report on development and compliance of Council's Record Keeping Plan.

The revised Record Keeping Plan 2012 had been presented to the State Records Commission in accordance with Section 28 of the *State Records Act 2000* (the Act). Section 28 (5) of that Act requires that no more than 5 years must elapse between approval of a government organisation's Recordkeeping Plan and a review of the Plan.

A draft Recordkeeping Plan 2018 was submitted to State Records Commission in February 2018 and following recommendations from State Records Commission the amended Recordkeeping Plan (RKP 2018012) was resubmitted and approved by the Commission in accordance with section 28 of the State Records Act 2000. A report of the review of the 2018 plan must be submitted to the SRO by August 2023.

DISABILITY ACCESS AND INCLUSION PLAN OUTCOMES

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

Each year Council's Disability Access and Inclusion Plan is tabled in parliament as part of the Disability Services Commission aggregated report. Shire of Three Springs 2018/2019 Disability Access and Inclusion Plan progress report was lodged by 30 June 2019.

Council's Disability Access and Inclusion Plan expired in November 2017, a complete review was undertaken in accordance with the requirements of the Disability Service Act 2004. The Shire of Three Springs Disability Access and Inclusion Plan (DAIP) 2018-2022 was adopted by Council in April 2018. In July 2018 Department of Communities advised that the submitted DAIP meets the requirements of the Disability Services Act 1993.

SECTION 5.121

In accordance with Section 5.121 of the Local Government Act 1995 Council maintains a register of complaints. This relates to conduct breaches by Council Members. None were recorded for the 2017/2018 financial year

INFORMATION ON PAYMENTS TO EMPLOYEES

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

COUNCIL DOCUMENTS

The following documents are available for inspection at the Shire Office free of charge and can also be accessed via council website www.threesprings.wa.gov.au

- Minutes and Agendas of all Council meetings
- Annual Budgets
- Annual Report
- Annual Financial Statements
- Local Planning Scheme No.2
- Strategic Resource Plan 2016-2031
- Strategic Community Plan 2018-2028
- Corporate Business Plan 2017-2021
- Disability Access and Inclusion Plan 2018-2022

Keith Woodward
Chief Executive Officer

SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

Three Springs becomes a Healthy and Unified Community with a bright future
HEART OF NORTH MIDLANDS

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


**SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019**

*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 for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Three Springs at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 27 day of November 2019



Chief Executive Officer

Keith Woodward

Name of Chief Executive Officer

SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2019

BUTLER SETTINERI (AUDIT) PTY LTD

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	21(a)	2,042,588	2,040,426	2,037,426
Operating grants, subsidies and contributions	2(a)	1,462,762	1,016,297	1,177,061
Fees and charges	2(a)	258,268	227,990	220,735
Interest earnings	2(a)	70,584	63,940	54,481
Other revenue	2(a)	133,888	41,250	63,988
		3,968,090	3,389,903	3,553,691
Expenses				
Employee costs		(1,338,757)	(1,190,640)	(936,416)
Materials and contracts		(272,381)	(1,227,508)	(448,902)
Utility charges		(175,679)	(229,363)	(212,769)
Depreciation on non-current assets	10(b)	(1,868,196)	(871,290)	(1,586,149)
Interest expenses	2(b)	(11,167)	(8,815)	(11,345)
Insurance expenses		(174,521)	(175,916)	(173,156)
Other expenditure		(28,542)	(36,690)	(41,052)
		(3,869,243)	(3,740,222)	(3,409,789)
		98,847	(350,319)	143,902
Non-operating grants, subsidies and contributions	2(a)	1,067,378	2,129,101	1,080,241
Profit on asset disposals	10(a)	16,289	4,250	0
(Loss) on asset disposals	10(a)	(78,426)	(10,000)	(8,105)
Reversal of prior year loss on revaluation of infrastructure - Parks and Ovals	7	0	0	138,863
Fair value adjustments to financial assets at fair value through profit or loss	7	0	0	70,068
		1,005,241	2,123,351	1,281,067
Net result for the period		1,104,088	1,773,032	1,424,969
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	42,595	0	430,019
Total other comprehensive income for the period		42,595	0	430,019
Total comprehensive income for the period		1,146,683	1,773,032	1,854,988

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

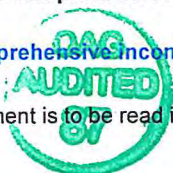


SHIRE OF THREE SPRINGS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2019

BUTLER SETTINGER (AUDIT) PTY LTD

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue	2(a)			
Governance		45,224	22,913	39,612
General purpose funding		3,418,876	2,554,956	3,081,842
Law, order, public safety		26,033	41,000	36,474
Health		16,284	16,100	16,473
Education and welfare		17,093	13,762	13,810
Housing		96,866	97,209	95,611
Community amenities		87,646	77,101	95,414
Recreation and culture		23,992	27,654	24,453
Transport		128,991	468,389	78,487
Economic services		31,120	9,369	8,304
Other property and services		75,965	61,450	63,211
		<u>3,968,090</u>	<u>3,389,903</u>	<u>3,553,691</u>
Expenses	2(b)			
Governance		(251,819)	(268,130)	(216,899)
General purpose funding		(38,296)	(39,961)	(34,969)
Law, order, public safety		(195,511)	(182,091)	(165,156)
Health		(126,478)	(116,905)	(119,997)
Education and welfare		(11,066)	(12,810)	(15,106)
Housing		(363,210)	(342,311)	(302,218)
Community amenities		(241,147)	(322,233)	(254,775)
Recreation and culture		(808,356)	(886,715)	(726,678)
Transport		(1,618,293)	(1,393,535)	(1,409,015)
Economic services		(125,428)	(120,780)	(94,812)
Other property and services		(78,472)	(45,936)	(58,819)
		<u>(3,858,076)</u>	<u>(3,731,407)</u>	<u>(3,398,444)</u>
Finance Costs	2(b)			
Governance		(3,258)	0	0
Recreation and culture		(4,698)	(5,564)	(8,129)
Transport		(3,211)	(3,251)	(3,216)
		<u>(11,167)</u>	<u>(8,815)</u>	<u>(11,345)</u>
		98,847	(350,319)	143,902
Non-operating grants, subsidies and contributions	2(a)	1,067,378	2,129,101	1,080,241
Profit on disposal of assets	10(a)	16,289	4,250	0
(Loss) on disposal of assets	10(a)	(78,426)	(10,000)	(8,105)
Fair value adjustments to financial assets at fair value through profit or loss	7	0	0	70,068
Reversal of prior year loss on revaluation of Other infrastructure - Parks and ovals	7	0	0	138,863
		<u>1,005,241</u>	<u>2,123,351</u>	<u>1,281,067</u>
Net result for the period		<u>1,104,088</u>	<u>1,773,032</u>	<u>1,424,969</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	42,595	0	430,019
Total other comprehensive income for the period		<u>42,595</u>	<u>0</u>	<u>430,019</u>
Total comprehensive income for the period		<u>1,146,683</u>	<u>1,773,032</u>	<u>1,854,988</u>

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



SHIRE OF THREE SPRINGS
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

BUTLER SETTINERI (AUDIT) PTY LTD

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	4,332,947	3,235,209
Trade receivables	5	206,029	303,949
Inventories	6	3,125	5,497
TOTAL CURRENT ASSETS		4,542,101	3,544,655
NON-CURRENT ASSETS			
Trade receivables	5	23,758	22,641
Property, plant and equipment	8	14,430,247	14,300,079
Infrastructure	9	35,788,396	35,324,600
Other financial assets	7	70,068	70,068
TOTAL NON-CURRENT ASSETS		50,312,469	49,717,388
TOTAL ASSETS		54,854,570	53,262,043
CURRENT LIABILITIES			
Trade and other payables	12	684,277	189,325
Borrowings	13(a)	51,289	66,233
Employee related provisions	14	142,339	148,222
TOTAL CURRENT LIABILITIES		877,905	403,780
NON-CURRENT LIABILITIES			
Borrowings	13(a)	89,385	140,675
Employee related provisions	14	55,237	32,228
TOTAL NON-CURRENT LIABILITIES		144,622	172,903
TOTAL LIABILITIES		1,022,527	576,683
NET ASSETS		53,832,043	52,685,360
EQUITY			
Retained surplus		29,456,440	28,603,835
Reserves - cash backed	4	1,975,535	1,724,052
Revaluation surplus	11	22,400,068	22,357,473
TOTAL EQUITY		53,832,043	52,685,360

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 2019

BUTLER SETTNERI (AUDIT) PTY LTD

		RETAINED	RESERVES	REVALUATION	TOTAL
	NOTE	SURPLUS	CASH BACKED	SURPLUS	EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		27,646,813	1,256,105	21,927,454	50,830,372
Comprehensive income					
Net result for the period		1,424,969	0	0	1,424,969
Other comprehensive income	11	0	0	430,019	430,019
Total comprehensive income		1,424,969	0	430,019	1,854,988
Transfers from/(to) reserves	4	(467,947)	467,947	0	0
Balance as at 30 June 2018		28,603,835	1,724,052	22,357,473	52,685,360
Comprehensive income					
Net result for the period		1,104,088	0	0	1,104,088
Other comprehensive income	11	0	0	42,595	42,595
Total comprehensive income		1,104,088	0	42,595	1,146,683
Transfers from/(to) reserves	4	(251,483)	251,483	0	0
Balance as at 30 June 2019		29,456,440	1,975,535	22,400,068	53,832,043

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 2019

BUTLER SETTNERI (AUDIT) PTY LTD

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,039,524	2,055,426	2,027,858
Operating grants, subsidies and contributions		1,645,535	1,176,466	987,613
Fees and charges		258,268	227,990	220,735
Interest received		70,584	63,940	54,481
Goods and services tax received		52,899	220,000	127,766
Other revenue		133,888	41,250	63,988
		4,200,698	3,785,072	3,482,441
Payments				
Employee costs		(919,055)	(1,246,274)	(967,754)
Materials and contracts		(170,622)	(1,297,508)	(356,752)
Utility charges		(175,679)	(229,363)	(212,769)
Interest expenses		(18,178)	(9,423)	(12,163)
Insurance paid		(174,521)	(175,916)	(173,156)
Goods and services tax paid		(135,805)	(200,000)	(129,399)
Other expenditure		(28,542)	(36,690)	(41,052)
		(1,622,402)	(3,195,174)	(1,893,045)
Net cash provided by (used in) operating activities	15	2,578,296	589,898	1,589,396
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,241,607)	(2,680,000)	(817,700)
Payments for construction of infrastructure		(1,397,095)	(2,151,076)	(1,571,351)
Non-operating grants, subsidies and contributions		1,067,378	2,129,101	1,080,241
Proceeds from sale of property, plant & equipment		157,000	100,000	56,818
Net cash provided by (used in) investment activities		(1,414,324)	(2,601,975)	(1,251,992)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		(66,234)	(66,233)	(62,885)
Net cash provided by (used in) financing activities		(66,234)	(66,233)	(62,885)
Net increase (decrease) in cash held		1,097,738	(2,078,310)	274,519
Cash at beginning of year		3,235,209	3,235,209	2,960,690
Cash and cash equivalents at the end of the year	3	4,332,947	1,156,899	3,235,209

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 2019

BUTLER SETTINGER (AUDIT) PTY LTD

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	22 (b)	1,614,198	1,555,477	1,675,807
		1,614,198	1,555,477	1,675,807
Revenue from operating activities (excluding rates)				
Governance		45,224	22,913	39,612
General purpose funding		1,376,288	514,530	1,044,416
Law, order, public safety		26,033	41,000	36,474
Health		16,284	16,100	16,473
Education and welfare		17,093	13,762	13,810
Housing		96,866	97,209	95,611
Community amenities		87,646	77,101	95,414
Recreation and culture		23,992	27,654	24,453
Transport		145,280	472,639	78,487
Economic services		31,120	9,369	8,304
Other property and services		75,965	61,450	63,211
		1,941,791	1,353,727	1,516,265
Expenditure from operating activities				
Governance		(333,503)	(268,130)	(219,809)
General purpose funding		(38,296)	(39,961)	(34,969)
Law, order, public safety		(195,511)	(182,091)	(165,156)
Health		(126,478)	(116,905)	(119,997)
Education and welfare		(11,066)	(12,810)	(15,106)
Housing		(363,210)	(342,311)	(302,218)
Community amenities		(241,147)	(322,233)	(254,775)
Recreation and culture		(813,054)	(892,279)	(595,944)
Transport		(1,621,504)	(1,406,786)	(1,417,426)
Economic services		(125,428)	(120,780)	(94,812)
Other property and services		(78,472)	(45,936)	(58,819)
		(3,947,669)	(3,750,222)	(3,279,031)
Non-cash amounts excluded from operating activities	22(a)	1,952,049	877,040	1,446,554
Amount attributable to operating activities		1,560,369	36,022	1,359,595
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,067,378	2,129,101	1,080,241
Proceeds from disposal of assets	10(a)	157,000	100,000	56,818
Purchase of property, plant and equipment	8(a)	(1,241,607)	(2,680,000)	(817,700)
Purchase and construction of infrastructure	9(a)	(1,397,095)	(2,151,076)	(1,571,351)
Amount attributable to investing activities		(1,414,324)	(2,601,975)	(1,251,992)
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(66,234)	(66,233)	(62,885)
Transfers to reserves (restricted assets)	4	(251,483)	(168,240)	(467,947)
Transfers from reserves (restricted assets)	4	0	760,000	0
Amount attributable to financing activities		(317,717)	525,527	(530,832)
Surplus/(deficit) before imposition of general rates		(171,672)	(2,040,426)	(423,229)
Total amount raised from general rates	21	2,042,588	2,040,426	2,037,426
Surplus/(deficit) after imposition of general rates	22(b)	1,870,916	0	1,614,197

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

1. BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this financial report. This is not in accordance with the requirements of *AASB 1051 Land Under Roads* paragraph 15 and *AASB 116 Property, Plant and Equipment* paragraph 7.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 24 to these financial statements.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	0	0	4,485
General purpose funding	1,333,203	478,380	1,016,048
Law, order, public safety	24,563	39,000	35,248
Education and welfare	0	1,000	1,000
Housing	0	0	1,807
Community amenities	0	0	19,500
Recreation and culture	3,409	4,300	10,356
Transport	101,587	443,367	61,410
Economic services	0	1,000	0
Other property and services	0	0	27,207
	1,462,762	967,047	1,177,061
Non-operating grants, subsidies and contributions			
Law, order, public safety	50,235	0	170,309
Education and welfare	270,000	1,050,000	0
Recreation and culture	0	20,000	0
Transport	747,143	1,059,101	909,932
	1,067,378	2,129,101	1,080,241
Total grants, subsidies and contributions	2,530,140	3,096,148	2,257,302

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

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 20.

That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES

(a) Revenue (Continued)	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	31,343	0	50,928
Other	102,545	36,690	13,060
	<u>133,888</u>	<u>36,690</u>	<u>63,988</u>
Fees and Charges			
Governance	6,028	6,000	5,716
General purpose funding	9,721	12,650	10,666
Law, order, public safety	1,470	2,000	1,226
Health	16,281	500	16,473
Housing	86,177	0	86,799
Community amenities	82,199	73,760	74,673
Recreation and culture	11,719	0	13,190
Economic services	29,881	6,200	7,131
Other property and services	14,792	6,200	4,861
	<u>258,268</u>	<u>107,310</u>	<u>220,735</u>

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

Interest earnings

Reserve accounts interest	44,959	42,240	31,668
Rates instalment and penalty interest (refer Note 21(c))	11,868	11,000	11,467
Other interest earnings	13,757	10,700	11,346
	<u>70,584</u>	<u>63,940</u>	<u>54,481</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest earnings (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual \$	2019 Budget \$	2018 Actual \$
Auditors remuneration			
- Audit of the Annual Financial Report	39,000	39,000	11,981
- Other services	4,335	0	4,920
	43,335	39,000	16,901
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	11,167	8,815	11,345
	11,167	8,815	11,345
Rental charges			
- Operating leases	0	0	2,999
	0	0	2,999

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		2,357,412	1,452,657
Term deposits		1,975,535	1,782,552
		<u>4,332,947</u>	<u>3,235,209</u>
Comprises:			
- Unrestricted cash and cash equivalents		2,200,028	1,452,657
- Restricted cash and cash equivalents		2,132,919	1,782,552
		<u>4,332,947</u>	<u>3,235,209</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave reserve	4	134,448	131,141
Plant reserve	4	302,724	240,654
Housing and development reserve	4	146,418	123,308
Joint venture housing reserve	4	165,623	161,549
Gravel pit reserve	4	48,906	47,703
Swimming pool equipment reserve	4	140,344	136,891
Day care centre reserve	4	534,031	520,893
Lovelock sock reserve	4	76,911	50,634
Road reserve	4	50,631	25,000
Drainage reserve	4	318,499	286,279
Refuse reserve	4	57,000	0
		<u>1,975,535</u>	<u>1,724,052</u>
Other restricted cash and cash equivalents			
Unspent grants/contributions	20	60,500	58,500
Bonds and deposits	24	96,884	0
Total restricted cash and cash equivalents		<u>2,132,919</u>	<u>1,782,552</u>

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

4. RESERVES - CASH BACKED

	2019		2019		2019		2019		2019		2019		2019		2018		2018	
	Actual	Opening	Actual	Transfer	Actual	Transfer	Budget	Opening	Budget	Transfer	Budget	Closing	Actual	Opening	Actual	Transfer	Actual	Closing
	Balance	Balance	Balance	(from)	Balance	to	Balance	Balance	to	(from)	Balance	Balance	Balance	Balance	to	(from)	Balance	Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave reserve	131,141		3,308	0	134,449	0	131,141	127,916	3,213	0	134,354	0	131,141	127,916	3,225	0	131,141	0
(e) Plant reserve	240,654		62,070	0	302,724	0	240,654	234,736	61,896	0	302,550	0	240,654	234,736	5,918	0	240,654	0
(f) Housing and development reserve	123,308		23,110	0	146,418	0	123,308	120,276	23,021	(100,000)	46,329	0	123,308	120,276	3,032	0	123,308	0
(g) Joint venture housing reserve	161,549		4,073	0	165,622	0	161,548	157,576	3,958	(60,000)	105,506	0	161,549	157,576	3,973	0	161,549	0
(h) Gravel pit reserve	47,703		1,203	0	48,906	0	47,703	46,530	1,169	0	48,872	0	47,703	46,530	1,173	0	47,703	0
(i) Swimming pool equipment reserve	136,891		3,453	0	140,344	0	136,891	136,891	3,354	(100,000)	40,245	0	136,891	136,891	100,907	0	136,891	0
(j) Day care centre reserve	520,893		13,138	0	534,031	0	520,893	508,083	12,762	(500,000)	33,655	0	520,893	508,083	12,810	0	520,893	0
(k) Lovelock sock reserve	50,634		26,277	0	76,911	0	50,635	25,004	26,241	0	76,876	0	50,634	25,004	25,630	0	50,634	0
(l) Road reserve	25,000		25,631	0	50,631	0	25,000	0	25,612	0	50,612	0	25,000	0	25,000	0	25,000	0
(m) Drainage reserve	286,279		32,220	0	318,499	0	286,279	286,279	7,014	0	293,293	0	286,279	286,279	0	0	286,279	0
(n) Refuse reserve	0		57,000	0	57,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,724,052		251,483	0	1,975,535	0	1,724,052	1,256,105	168,240	(760,000)	1,132,292	0	1,724,052	1,256,105	467,947	0	1,724,052	0

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave reserve	Ongoing	To be used to fund annual and long service leave requirements.
(e) Plant reserve	Ongoing	To be used for the purchase of major plant.
(f) Housing and development reserve	Ongoing	To be used to fund housing/accommodation projects.
(g) Joint venture housing reserve	Ongoing	To be used to maintain the joint Ministry of Housing/Local Government properties.
(h) Gravel pit reserve	Ongoing	To be used for the rehabilitation of disused gravel pits.
(i) Swimming pool equipment reserve	Ongoing	To be used to purchase recreational equipment for the swimming pool.
(j) Day care centre reserve	June 2020	To be used to upgrade Child Care Building and equipment.
(k) Lovelock sock reserve	Ongoing	To be used to upgrade potable water infrastructure.
(l) Road reserve	Ongoing	To be used for future capital road works.
(m) Drainage reserve	Ongoing	To be used for construction of proper town drainage system.
(n) Refuse reserve	Ongoing	To be used for the future development and maintenance of the refuse site.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Other receivables	
Provision for doubtful debts	
Other receivables	
Collection agencies (refer to Note 24)	

Non-current

Pensioner's rates and ESL deferred	
------------------------------------	--

2019	2018
\$	\$
37,570	35,623
55,054	209,935
84,539	1,633
28,065	40,720
(79)	(1,055)
0	17,093
880	0
206,029	303,949
23,758	22,641
23,758	22,641

SIGNIFICANT ACCOUNTING POLICIES

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.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

6. INVENTORIES

Current

Stock on hand - fuel and materials

2019	2018
\$	\$
3,125	5,497
3,125	5,497

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Inventories expensed during the year

Additions to inventory

Carrying amount at 30 June

5,497	1,905
(5,497)	(1,905)
3,125	5,497
3,125	5,497

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

Land held for development and 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.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

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

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

7. OTHER FINANCIAL ASSETS

Changes in the fair value of Units in Local Government House recognised as non-current financial assets at fair value through profit and loss have not been recognised nor considered as they are unlikely to be material and unable to be reliably determined at the time of preparation of these Statements

Non-current assets

	2019	2018
	\$	\$
Financial assets at fair value through profit and loss	70,068	70,068
Financial assets at fair value through profit and loss		
Units in Local Government House Trust	70,068	70,068

During the year, the following gains/(losses) were recognised in profit and loss:

Fair value gains on financial assets	0	70,068
Reversal of prior year loss on revaluation of infrastructure - Parks and Ovals	0	138,863
	0	208,931

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit and loss

The Shire classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has not elected to recognise fair value gains and losses through other comprehensive income.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 23.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were either not suitable to be classified as 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.

Previous accounting policy: Loans and receivables

Non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and are solely payments of principal and interest were classified as loans and receivables and are subsequently measured at amortised cost, using the effective interest rate method.

Refer to Note 26 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

8. PROPERTY, PLANT AND EQUIPMENT

(a) 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	Total land	Buildings - non- specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	847,721	847,721	10,852,637	10,852,637	11,700,358	117,659	2,492,528	21,848	14,332,393
Additions	2,411	2,411	390,085	390,085	392,496	51,495	364,529	9,180	817,700
(Disposals)	0	0	0	0	0	0	(64,923)	0	(64,923)
Depreciation (expense)	0	0	(488,228)	(488,228)	(488,228)	(27,006)	(276,052)	0	(791,286)
Transfers	0	0	(12,804)	(12,804)	(12,804)	40,847	0	(21,848)	6,195
Carrying amount at 30 June 2018	850,132	850,132	10,741,690	10,741,690	11,591,822	182,995	2,516,082	9,180	14,300,079
Comprises:									
Gross carrying amount at 30 June 2018	850,132	850,132	11,708,693	11,708,693	12,558,825	231,247	3,001,985	9,180	15,801,237
Accumulated depreciation at 30 June 2018	0	0	(967,003)	(967,003)	(967,003)	(48,252)	(485,903)	0	(1,501,158)
Carrying amount at 30 June 2018	850,132	850,132	10,741,690	10,741,690	11,591,822	182,995	2,516,082	9,180	14,300,079
Additions	0	0	597,513	597,513	597,513	113,577	530,517	0	1,241,607
Write off assets under \$5,000 threshold	0	0	0	0	0	(48,369)	(22,300)	0	(70,669)
(Disposals)	0	0	0	0	0	(7,559)	(140,909)	0	(148,468)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	42,595	0	42,595
Depreciation (expense)	0	0	(513,365)	(513,365)	(513,365)	(55,210)	(366,322)	0	(934,897)
Transfers	0	0	46,114	46,114	46,114	(36,934)	0	(9,180)	0
Carrying amount at 30 June 2019	850,132	850,132	10,871,952	10,871,952	11,722,084	148,500	2,559,663	0	14,430,247
Comprises:									
Gross carrying amount at 30 June 2019	850,132	850,132	12,355,348	12,355,348	13,205,480	154,425	2,563,317	0	15,923,222
Accumulated depreciation at 30 June 2019	0	0	(1,483,396)	(1,483,396)	(1,483,396)	(5,925)	(3,654)	0	(1,492,975)
Carrying amount at 30 June 2019	850,132	850,132	10,871,952	10,871,952	11,722,084	148,500	2,559,663	0	14,430,247

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	July 2016	Price per square metre
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	July 2016	Price per square metre
Buildings - specialised	3	Improvements to buildings valued using cost approach using depreciated replacement cost	Independent registered valuers	July 2016	Improvements to buildings using construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments inputs
Plant and equipment	3	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2019	Purchase cost and current condition, residual values and remaining useful life assessments inputs

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

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

9. INFRASTRUCTURE

(a) 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.

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - parks and ovals	Infrastructure - airfield	Work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	33,170,576	227,502	292,621	209,700	85,026	33,985,425
Additions	1,550,780	0	20,571	0	0	1,571,351
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	298,269	131,750	0	430,019
Revaluation (loss) / reversals transferred to profit or loss	0	0	138,863	0	0	138,863
Depreciation (expense)	(757,868)	(5,816)	(22,029)	(9,150)	0	(794,863)
Transfers	85,026	0	(6,195)	0	(85,026)	(6,195)
Carrying amount at 30 June 2018	34,048,514	221,686	722,100	332,300	0	35,324,600
Comprises:						
Gross carrying amount at 30 June 2018	35,546,377	232,637	1,173,200	791,500	0	37,743,714
Accumulated depreciation at 30 June 2018	(1,497,863)	(10,951)	(451,100)	(459,200)	0	(2,419,114)
Carrying amount at 30 June 2018	34,048,514	221,686	722,100	332,300	0	35,324,600
Additions	1,295,755	95,522	5,818	0	0	1,397,095
Depreciation (expense)	(756,720)	(6,012)	(99,332)	(71,235)	0	(933,299)
Carrying amount at 30 June 2019	34,587,549	311,196	628,586	261,065	0	35,788,396
Comprises:						
Gross carrying amount at 30 June 2019	36,842,132	328,159	1,179,018	791,500	0	39,140,809
Accumulated depreciation at 30 June 2019	(2,254,583)	(16,963)	(550,432)	(530,435)	0	(3,352,413)
Carrying amount at 30 June 2019	34,587,549	311,196	628,586	261,065	0	35,788,396

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - parks and ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	July 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - airfield	3	Cost approach using depreciated replacement cost	Independent registered valuers	July 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost where the fair value of the asset at date of acquisition is equal to or above \$5,000. All assets are subsequently revalued in accordance with the mandatory measurement framework.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of fixed assets is determined at least every three years and no more than five years in accordance with the regulatory framework. At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires property, plant and equipment to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

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

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets

Disposal of assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Furniture and equipment	\$ 7,559	\$ 0	\$	\$ (7,559)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plant and equipment	140,909	157,000	16,289	(198)	105,750	100,000	4,250	(10,000)	64,923	56,818	0	(8,105)
	148,468	157,000	16,289	(7,757)	105,750	100,000	4,250	(10,000)	64,923	56,818	0	(8,105)

Write off assets below the \$5,000 threshold

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Furniture and equipment	\$ 48,369	\$ 0	\$ 0	\$ (48,369)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plant and equipment	22,300	0	0	(22,300)	0	0	0	0	0	0	0	0
	70,669	0	0	(70,669)	0	0	0	0	0	0	0	0

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Property Plant and Equipment	\$	\$	\$	\$
Governance	30,070	0	0	(30,070)
Law, order, public safety	448	0	0	(448)
Health	10,760	0	0	(10,760)
Housing	625	0	0	(625)
Community amenities	48	0	0	(48)
Recreation and culture	10,749	0	0	(10,749)
Transport	164,589	157,000	16,289	(23,878)
Economic services	1,848	0	0	(1,848)
	219,137	157,000	16,289	(78,426)

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(b) Depreciation

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings - non-specialised	513,365	515,003	488,228
Furniture and equipment	55,210	26,314	27,006
Plant and equipment	366,322	290,949	276,052
Infrastructure - roads	756,720	0	757,868
Infrastructure - footpaths	6,012	6,135	5,816
Infrastructure - parks and ovals	99,332	23,237	22,029
Infrastructure - airfield	71,235	9,652	9,150
	1,868,196	871,290	1,586,149

Revision of useful lives of plant and equipment

During the year the estimated total useful lives of certain items of plant and equipment used in the maintenance of road infrastructure were revised. The net effect of the change is a net increase in depreciation of \$97,475.

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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.

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings - non specialised	5 to 50 years
Buildings - specialised	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 seal	50 years
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement gravel sheet	50 years
Footpaths - slab	10 years
Sewerage piping	40 years
Water supply piping and drainage systems	100 years
Infrastructure - parks and ovals	75 years
Infrastructure - airfield	10 to 20 years
	10 to 20 years

Depreciation (Continued)

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

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	2018 Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and buildings	7,993,685	0	0	0	7,993,685	7,993,685	0	0	0	7,993,685
Furniture and equipment	0	0	0	0	0	0	0	0	0	0
Plant and equipment	617,902	42,595	0	42,595	660,497	617,902	0	0	0	617,902
Roads	13,134,301	0	0	0	13,134,301	13,134,301	0	0	0	13,134,301
Parks and ovals	298,269	0	0	0	298,269	0	298,269	0	298,269	298,269
Airfield	313,316	0	0	0	313,316	181,566	131,750	0	131,750	313,316
	22,357,473	42,595	0	42,595	22,400,068	21,927,454	430,019	0	430,019	22,357,473

Movements on revaluation of property, plant and equipment (including infrastructure) are not able to be reliably attributed to a program as the assets were revalued by class as provided for by AASB 116 Aus 40.1.

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Bonds and deposits held (refer to Note 24)
Rates paid in advance
Accrued salaries and wages
ATO liabilities
Accrued interest
Accrued expenditure

2019	2018
\$	\$
478,842	139,158
96,884	0
(269)	6,742
14,358	9,600
0	3,453
711	1,617
93,751	28,755
684,277	189,325

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect

Trade and other payables (Continued)

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.

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(a) Borrowings

(b) Repayments - Borrowings

• WA Treasury Corporation

All loan repayments were financed by general purpose revenue.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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13. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	11,000	11,000
Credit card balance at balance date	0	0
Total amount of credit unused	11,000	11,000
 Loan facilities		
Loan facilities - current	51,289	66,233
Loan facilities - non-current	89,385	140,675
Total facilities in use at balance date	140,674	206,908

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are recognised at fair value when the Shire becomes a party to the contractual provisions to the instrument.

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 23.

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2018

Current provisions

Non-current provisions

Additional provision

Amounts used

Balance at 30 June 2019

Comprises

Current

Non-current

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date

More than 12 months from reporting date

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2018			
Current provisions	95,752	52,470	148,222
Non-current provisions	0	32,228	32,228
	95,752	84,698	180,450
Additional provision	(71,774)	(11,481)	(83,255)
Amounts used	77,359	23,022	100,381
Balance at 30 June 2019	101,337	96,239	197,576
Comprises			
Current	101,337	41,002	142,339
Non-current	0	55,237	55,237
	101,337	96,239	197,576
	2019 \$	2018 \$	
Less than 12 months after the reporting date	84,000	100,381	
More than 12 months from reporting date	113,576	80,069	
	197,576	180,450	

Timing of the payment of current leave liabilities is difficult to determine as it is dependent on future decisions of employees. Expected settlement timings are based on information obtained from employees and historical leave trends and assumes no events will occur to impact on these historical trends.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

The Shire's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at

Other long-term employee benefits (Continued)

rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Cash and cash equivalents	4,332,947	1,156,899	3,235,209
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,104,088	1,773,032	1,424,969
Non-cash flows in Net result:			
Depreciation	1,868,196	871,290	1,586,149
(Profit)/loss on sale of asset	62,137	5,750	8,105
Reversal of loss on revaluation of fixed assets	0	0	(138,863)
Changes in assets and liabilities:			
(Increase)/decrease in receivables	96,803	195,169	(200,649)
(Increase)/decrease in other assets	0	0	(70,068)
(Increase)/decrease in inventories	2,372	0	(3,592)
Increase/(decrease) in payables	494,952	(126,242)	96,362
Increase/(decrease) in provisions	17,126	0	(32,776)
Grants contributions for the development of assets	(1,067,378)	(2,129,101)	(1,080,241)
Net cash from operating activities	2,578,296	589,898	1,589,396

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	1,024,192	1,270,085
General purpose funding	5,249,592	2,423,228
Law, order, public safety	1,084,835	1,404,338
Health	1,726,506	1,791,698
Education and welfare	349,794	535,295
Housing	2,603,036	2,838,187
Community amenities	274,915	372,926
Recreation and culture	4,928,813	5,326,819
Transport	35,510,490	35,596,261
Economic services	92,642	216,337
Other property and services	2,009,755	1,486,868
	<u>54,854,570</u>	<u>53,262,042</u>

17. CAPITAL COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

	2019	2018
	\$	\$
- capital expenditure projects	0	128,792
- plant & equipment purchases	0	0
	0	128,792

Payable:

- not later than one year	0	128,792
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There are no capital expenditure projects outstanding at the end of the current reporting period.
(the prior year commitment was for the construction of Early Childhood Learning Centre).

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	9,075	12,672	9,966
President's allowance	7,500	7,500	7,500
Deputy President's allowance	1,375	1,375	1,375
	17,950	21,547	18,841

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	429,947	376,590
Post-employment benefits	44,355	41,722
Termination benefits	8,886	3,683
Other long term benefits	4,271	0
	487,459	421,995

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent annual leave and long service benefits accruing during the year.

Termination benefits

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

18. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

No outstanding balances or provisions for doubtful debts or guaranties exist in relation to related parties at year end.

	2019 Actual \$	2018 Actual \$
The following transactions occurred with related parties:		
Purchase of goods and services - other related parties	8,700	18,167
Amounts outstanding from related parties:		
Trade and other receivables - other related parties	12,680	23,241
Amounts payable to related parties:		
Trade and other payables - other related parties	0	1,737

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

The associate person of KMP was employed by the Shire under normal employment terms and conditions.

ii. Other Related Parties

Any entity that is controlled by or over which key management personnel, or close family members of key management personnel have authority and responsibility for planning, directing or controlling the activities of the entity, directly or indirectly are considered related parties in relation to the Shire.

iii. Entities subject to significant influence by the Shire

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

19. JOINT ARRANGEMENTS

(a) Joint operation - Aged residents housing

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

Non-current assets

Land and Building

Less: Accumulated Depreciation

	2019	2018
	\$	\$
Land and Building	142,674	142,674
Less: Accumulated Depreciation	(12,840)	(8,560)
	<u>129,834</u>	<u>134,114</u>

(b) Joint operation - Community housing

The Shire together with the Housing Authority constructed two houses for community housing purposes in 1985/86 in Glyde Street, Three Springs. This joint arrangement constitutes a joint operation and Council has a 10.78% equity in 54 Glyde Street and 11.14% equity in 60 Glyde Street and is in Land and Buildings as follows:

Non-current assets

Land and Building

Less: Accumulated Depreciation

Land and Building	104,717	64,535
Less: Accumulated Depreciation	(12,840)	(4,289)
	<u>91,877</u>	<u>60,246</u>

Statement of Comprehensive Income

Fees and charges - Housing revenue

Materials and contracts - housing expenditure

Fees and charges - Housing revenue	40,388	45,237
Materials and contracts - housing expenditure	(47,597)	(38,844)
	<u>(7,209)</u>	<u>6,393</u>

The Housing Authority does not participate in any share of profit or loss, is not responsible for operating costs or revenue from the properties.

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance ⁽¹⁾	Received ⁽²⁾	Expended ⁽³⁾	Closing Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
CLGF - Admin Upgrade	72,840	0	(72,840)	0	0	0	0
Law, order and Public Safety							
DFES Fire Shed Grant	0	170,309	(170,309)	0	0	0	0
DFES Operational Grants	0	29,250	(29,250)	0			0
Education and Welfare							
Seniors Week Grant	0	1,000	(1,000)	0	0	0	0
Community amenities							
Community grant	3,659		(3,659)	0			0
Karara Mining - refuse site contribution	39,000	19,500	0	58,500	0	0	58,500
Recreation and culture							
Harmony Week Grant	0	2,300	(2,300)	0	2,000	0	2,000
Children's Week	0	2,000	(2,000)	0	0	0	0
Transport							
Roads to Recovery	0	410,814	(410,814)	0	0	0	0
Regional Road Grants - MRWA	0	499,118	(499,118)	0	0	0	0
RRG - Direct Grants	0	59,256	(59,256)	0	0	0	0
Total	115,499	1,193,547	(1,250,546)	58,500	2,000	0	60,500

Notes:

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

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21. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Rate	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Actual Rate	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Budget Rate	Budget Total Revenue	Actual Total Revenue						
Gross rental valuations																					
GRV Residential		0.119606	226	2,041,052	244,122	(1,275)	0	242,847	0	244,122	0	0	244,122	244,122	0	0	244,122	244,122	0	238,467	
GRV Mining		0.239212	1	252,500	60,401	0	0	60,401	0	60,401	0	0	60,401	60,401	0	0	60,401	60,401	0	59,217	
Unimproved valuations																					
UV Rural and Arrino Town		0.015334	185	111,030,000	1,702,534	600	4,284	1,707,418	0	1,702,534	0	0	1,702,534	1,702,534	0	0	1,702,534	1,702,534	0	1,673,305	
UV Mining		0.030667	5	363,228	11,139	0	0	11,139	0	11,139	0	0	11,139	11,139	0	0	11,139	11,139	0	41,687	
Sub-Total			417	113,686,780	2,018,196	(675)	4,284	2,021,805		2,018,196	0	0	2,018,196	2,018,196	0	0	2,018,196	2,018,196	0	2,012,676	
Minimum payment																					
Gross rental valuations																					
GRV Residential		455	20	13,439	9,100	0	0	9,100	0	9,100	0	0	9,100	9,100	0	0	9,100	9,100	0	9,000	
Unimproved valuations																					
UV Rural and Arrino Town		455	21	25,650	9,555	0	0	9,555	0	9,555	0	0	9,555	9,555	0	0	9,555	9,555	0	9,900	
UV Mining		275	13	160,532	3,575	(759)	423	3,239	(759)	3,575	0	0	3,575	3,575	0	0	3,575	3,575	0	5,850	
Sub-Total			54	199,621	22,230	(759)	423	21,894	(759)	22,230	0	0	22,230	22,230	0	0	22,230	22,230	0	24,750	
Concessions (refer Note 021)																					
				471	113,886,401	2,040,426	(1,434)	4,707	2,043,699	2,040,426	0	0	2,040,426	2,040,426	0	0	2,040,426	2,040,426	0	2,037,426	
Total amount raised from general rate									(1,111)												
Ex-gratia rates									2,042,588												
Totals									8,844												
									2,051,432												
						</															

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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21 RATING INFORMATION (Continued)

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted		Discount	Discount	2019 Actual	2019 Budget	2018 Actual
Type		%	\$	\$	\$	\$
Rate assessment write off		0.00%	0	1,111	0	1,545
Rate assessment - GRV waiver		80.00%	0.00	0	0	868
Residential				1,111	0	2,413
Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession			
Rate assessment	Unrecoverable rates					
Rate assessment - GRV Residential	Indigenous Corporation applied for concession	Promote charity work	Property use for charitable purposes			
Photocopying	Community groups requiring photocopying					
Pool Admission	Primary school swimming activities					
Community Hall Hire	Community groups requiring hall hire					
Community Bus Hire	School excursions and recreational activities for community groups					
				Council considers support of these groups necessary for the benefit of the community		

21 RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Full payment	21 Sep 2018	0	0.0%	11%
Option Two				
First instalment	21 Sep 2018	0	0.0%	11%
Second instalment	22 Nov 2018	12	5.5%	11%
Option Three				
First instalment	21 Sep 2018	0	0.0%	11%
Second instalment	22 Nov 2018	12	5.5%	11%
Third instalment	25 Jan 2019	12	5.5%	11%
Fourth instalment	29 Mar 2019	12	5.5%	11%

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Interest on unpaid rates	8,302	6,200	7,240
Interest on instalment plan	5,455	4,500	4,066
Charges on instalment plan	2,028	2,000	1,716
	<u>15,785</u>	<u>12,700</u>	<u>13,022</u>

22. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019)	2018/19 Budget (30 June 2019)	2018/19 (1 July 2018)
Note	Carried Forward)	Carried Forward)	Brought Forward)
	\$	\$	\$

(a) Non-cash amounts excluded from operating activities

The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

Adjustments to operating activities

Less: Profit on asset disposals	10(a)	(16,289)	(4,250)	0
Less: Reversal of prior year loss on revaluation of fixed assets		0	0	(138,863)
Less: Change in accounting policy	26	(176)	0	0
Movement in pensioner deferred rates (non-current)		(1,117)	0	(2,924)
Movement in employee benefit provisions (non-current)		23,009	0	(9,138)
Add: Loss on disposal of assets	10(a)	78,426	10,000	8,105
Add: Movement in leave reserve		0	0	3,225
Add: Depreciation on assets	10(b)	1,868,196	871,290	1,586,149
Non cash amounts excluded from operating activities		1,952,049	877,040	1,446,554

(b) Surplus/(deficit) after imposition of general rates

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

Adjustments to net current assets

Less: Reserves - restricted cash	4	(1,975,535)	(1,132,292)	(1,724,052)
Less: Component of leave liability not required to be funded		130,966	127,915	131,142
Add: Borrowings	13(a)	51,289	66,233	66,233
Total adjustments to net current assets		(1,793,280)	(938,144)	(1,526,677)

Net current assets used in the Rate Setting Statement

Total current assets		4,542,101	1,267,966	3,544,655
Less: Total current liabilities		(877,905)	(329,822)	(403,780)
Less: Total adjustments to net current assets		(1,793,280)	(938,144)	(1,526,677)
Net current assets used in the Rate Setting Statement		1,870,916	0	1,614,198

23. FINANCIAL RISK MANAGEMENT

This note explains the Shire's exposure to financial risks and how these risks could affect the Shire's future financial performance.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets and debt investments	Aging analysis Credit analysis	Diversification of bank deposits, credit limits. Investment policy
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

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

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.08%	4,236,943	1,975,535	2,261,108	300
2018					
Cash and cash equivalents	1.81%	3,235,209	1,782,552	1,452,357	300

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	22,611	14,524

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 13(b).

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

The Shire applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2018 or 1 July 2019 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as the ability of ratepayers and residents to settle the receivables. Housing prices and unemployment rates have been identified as the most relevant factor in repayment rates, and accordingly adjustments are made to the expected credit loss rate based on these factors. There are no material receivables that have been subject to a re-negotiation of repayment terms.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) could not be determined for rates as historic data was not available. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for sundry receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	3.09%	
Gross carrying amount	13,757	37,212	1,527	2,558	55,054
Loss allowance	0	0	0	79	79
01 July 2018					
Sundry Receivables					
Expected credit loss	1.05%	2.33%	3.73%	-78.69%	
Gross carrying amount	182,909	22,709	1,362	2,955	209,935
Loss allowance	1,921	529	51	(2,325)	176

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 13(c).

The contractual undiscounted cash flows of the Shire's payables and borrowings are set out in the liquidity table below. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	684,277	0	0	684,277	684,277
Borrowings	56,815	97,426	0	154,241	140,674
	741,092	97,426	0	838,518	824,951
2018					
Payables	185,872	0	0	185,872	185,872
Borrowings	75,048	129,884	24,357	229,289	206,908
	260,920	129,884	24,357	415,161	392,780

24. TRUST FUNDS

There are no funds held in the trust fund at the balance date which are not required to be held in the trust fund.

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to Restricted Cash	30 June 2019
	\$	\$	\$		\$
Arrowsmith catchment	87,459	0	0	(87,459)	0
Arrowsmith rates	1,489	0	0	(1,489)	0
East Three Springs catchment	2,014	0	0	(2,014)	0
Three Springs LCDC	4,334	0	0	(4,334)	0
Police department licensing	787	0	(287)	(500)	0
Housing bonds general	280	0	0	(280)	0
BCITF levy	91	0	(91)		0
BRB levy	62	0	(62)		0
Community bus bond	100	0	0	(100)	0
Nomination fees	400	0	0	(400)	0
Unknown amount	308	0	0	(308)	0
	97,324	0	(440)	(96,884)	0

25 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

Whilst many reflected consequential changes associated with the amendment of existing standards, the only new standard with material application is AASB 9 *Financial Instruments*.

AASB 9 Financial instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Shire's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Shire's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

25 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

The classification and measurement requirements of AASB 9 did not have a significant impact on the Shire. The following are the changes in the classification of the Shire's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.

- The Shire did not designate any financial assets as at fair value through profit and loss.

In summary, upon the adoption of AASB 9, the Shire had the following required (or elected) reclassifications as at 1 July 2018:

AASB 139 category	AASB 139 value \$	AASB 9 category amortised cost \$	Fair value through OCI \$	Fair value through P/L \$
Loans and receivables				
Trade receivables*	326,590	326,590	0	0
Other financial assets at fair value through profit and loss				
Other financial assets	70,068	0	0	70,068

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire recognised an additional impairment on the Shire's Trade receivables of \$176 which resulted in a decrease in accumulated surplus/(deficit) of \$176 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 \$	Remeasurement \$	ECL under AASB 9 as at 01 July 2018 \$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	0	176	176
	0	176	176

(c) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2018 is as follows:

	Adjustments	2018 \$
Retained surplus - 30 June 2018		28,603,835
Adjustment to retained surplus from adoption of AASB 9	(176)	(176)
Retained surplus - 1 July 2018		28,603,659

26. CHANGE IN ACCOUNTING POLICY

On 1 July 2018 *Paragraph 17A (5) was inserted into Local Government(Financial Management) regulations 1996.*

The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

The adoption of the regulation constitutes as change in accounting policy.

Due to the effect on the financial statements not being material, the Shire did not retrospectively apply the changes in accounting policy arising from the new regulations and has not restated comparative figures.

During the year, assets with a fair value at the date of acquisition of under \$5,000 and purchased prior to 1 July 2018 have been excluded from the assets of the Shire and written off in the Statement of Comprehensive Income.

The impact of \$70,669 was immaterial and therefore no restatement is required.

27. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*.

These standards are applicable to future reporting periods and have not yet been adopted.

The Shire is still in the process of assessing the impact of these standards.

(a) Revenue from Contracts with Customers

The Shire will adopt AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire will adopt the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services as performance obligations have been met as specified in the contracts with customers.

(b) Leases

AASB16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value leases which remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increase in lease payments.

A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.

The Shire will adopt AASB16 on 1 July 2019 resulting in changes in accounting policies.

In accordance with the transition provisions of AASB 16, the Shire will apply this Standard to its leases retrospectively with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019.

SHIRE OF THREE SPRINGS
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

28 OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) 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.

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

GENERAL PURPOSE FUNDING

To collect revenue to fund provision of services.

LAW, ORDER, PUBLIC SAFETY

To ensure a safer community in which to live.

HEALTH

To provide an operational framework for good community health.

EDUCATION AND WELFARE

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

HOUSING

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

COMMUNITY AMENITIES

Provide services as required by the community.

RECREATION AND CULTURE

To establish and efficiently manage infrastructure and resources that help the social wellbeing of the community.

TRANSPORT

To provide effective and efficient transport services to the community.

ECONOMIC SERVICES

To help promote the shire and improve its economic wellbeing.

OTHER PROPERTY AND SERVICES

To monitor and control overheads and operating accounts.

ACTIVITIES

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

Rates, general purpose government grants and interest revenue.

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

Food quality and pest control, maintenance of child health centre, medical centre, dental clinic and administration of group health scheme.

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

Maintenance of council owned staff and non-staff housing.

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

Maintenance of the swimming pool, recreation centre, library, parks, gardens and reserves.

Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, traffic lights, cycleways, depot maintenance and airstrip maintenance.

The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control, plant nursery and standpipes.

Private works operations, plant repairs and operations and engineering costs.

30. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	3.24	6.46	8.49
Asset consumption ratio	0.90	0.50	0.47
Asset renewal funding ratio	1.75	1.73	1.68
Asset sustainability ratio	0.88	1.24	1.17
Debt service cover ratio	24.76	26.16	14.22
Operating surplus ratio	0.02	0.14	0.28
Own source revenue coverage ratio	0.64	0.73	0.67

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 consumption ratio	$\frac{\text{depreciated replacement costs of depreciable assets}}{\text{current replacement cost of depreciable assets}}$
Asset renewal funding ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Three Springs

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Three Springs which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Three Springs:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

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

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) All required information and explanations were obtained by me.
- (ii) All audit procedures were satisfactorily completed.
- (iii) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 30 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Three Springs for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



SANDRA LABUSCHAGNE
DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia
04 December 2019