



ANNUAL REPORT



2017-2018

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, 2017 through to 30th June, 2018.

The October 2017 election saw 2 new councillors sworn in for their four year term. We welcome Jenny Mutter & Jim Heal and thank Neil Hebiton and Robert Hunt for their 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.

Health and Aged Care needs are a high priority for Council. Dr Sasha Risinger continues to provide medical services through the Three Springs Medical Centre and in collaboration with the Shires of Coorow and Carnamah, to their communities. Along with the Three Springs Dental Clinic and the North Midlands Health, residents are well cared for locally.

Tourism is becoming a real focus for the region and we are pleased to be part of the Astro-Tourism WA Star Gazing trail. The revitalised 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.

Our sporting groups continue to battle with dwindling numbers of both players and volunteers. An impressive effort by the Bombers Football Club who went from almost folding to playing in the Grand Final. Council endeavour to support all forms of sport and recreation, this year assisting the hockey club to install training lights and the cricket club to have a synthetic pitch laid.

Major projects completed in 2017/18 were Admin Office upgrade (including Installation of solar panels) Fire Shed, Housing improvements and Gravel sheeting on 6 rural roads. With funding being secured in 16/17 from Midwest Development Commission and LotteryWest, planning and development has started for the Early Childhood Learning Centre. Additional Federal funding through Building Better Regions has been announced of \$500,000.

To our wonderful volunteers – 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. "Volunteers don't get paid, not because they're worthless, but because they're priceless." Sherry Anderson.

On behalf of electors and ratepayers, I take this opportunity to thank each Councillor past and present for their efforts and input during the 2017/2018 financial year. Without their support and contribution Council would not be able to provide the high level of facilities and services to our community. My appreciation is extended to Councillors' partners and families for their support which has allowed Councillors to dedicate their time to Council.

I am very proud and honoured to serve the Shire of Three Springs as a Councillor and now 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 and staff for their support throughout 2017/18 and look forward to working with you all in 2017/18.

Cr Chris Lane

Shire President

Councillors for 2017 - 2019

Position:	Name:	Contact Details:	Term of Office:
President	<i>Cr. C. (Chris) Lane</i>	PO Box 44 Three Springs WA 6519 P: (08) 9954 5034 F: (08) 9954 5034 M: 0439 478 800	2021
Deputy President	<i>Cr. C. (Chris) Connaughton</i>	PO Box 92 Three Springs WA 6519 P: (08) 9954 7007 M: 0427 547 007	2019
Councillor	<i>Cr. A.E. (Anthony) Thomas</i>	P Box 86 Three Springs WA 6519 P: (08) 9954 1155 F: (08) 9954 1159 M: 0427 541 155	2019
Councillor	<i>Cr. R. (Richard) Thorpe</i>	PO Box 235 Three Springs WA 6519 M: 0427 541 116	2019
Councillor	<i>Cr. J.A. (Jennyfer) Lake</i>	PO Box 241 Three Springs WA 6519 P: (08) 9954 1479 M: 0498 677 338	2019
Councillor	<i>Cr. R.J. (Jim) Heal</i>	PO Box 169 Three Springs WA 6519 P: (08) 9954 2022 M: 0429 165 235	2021
Councillor	<i>Cr. J.D. (Jenny) Mutter</i>	Simpson Road Three Springs WA 6519 M: 0428 547 035	2021

Chief Executive Officer's Report

PRESIDENT, COUNCILLORS, ELECTORS AND COMMUNITY MEMBERS

I am pleased to present the Chief Executive Officer's report to the Councillors, Electors and community members of Three Springs on activities and finances for the 2017/2018 financial year.

This Annual Report represents the Shire of Three Springs financial statements and a summary of the work that has been carried out during the 2017/2018 financial year. This is in line with our statutory and legislative requirements, including corporate goals, strategies and outcomes as outlined in this report.

The Strategic Resource Plan adopted in October 2016 is referred to when planning for the future and the Corporate Business Plan presented in June 2018 identifies our shorter term priorities by providing a linkage and mechanism to 'activate' the Shires Strategic Community Plan.

In conjunction with Corporate Business plan a community survey was conducted in 2017 via Yakabout, Monkey Survey and letter drop, seeking community comments on the Strategic Community Plan. Council also participated in a number of Networking Sessions reviewing the plans to add, delete and amend the 2012 plan with a draft ten year Strategic Community Plan being presented to Council for final review later in 2018.

Selected assets have been classified in the plan as priority projects these being Childcare Purpose Built Centre, Pathways Upgrade, Roads (Regional distributor roads) and Cemetery Redevelopment. Along with Duffy's Store, Waste Transfer Station, Light Industrial Area development, Aged Care Units these are just some of the projects critical to Council's capacity to meet community expectations.

MAJOR PROJECTS (completed or commenced in 2017/2018)

Road projects during the year included gravel sheeting on Wilton Well, Tomkin, Maley, Carey, Robinson and Turkey Flats Roads totalling \$542,082, Reseals on portions of Perenjori, Morawa and Eneabba Roads, along with Williamson and Hunt Streets amounted to \$862,315 and pavement repairs on Dudawa and Arrino South Roads costs were \$122,100. Town drainage, town streets and trees, roadside pruning and maintenance grading had an amount of \$423,100 expended during 2017/2018.

Plant and equipment purchased during the year included Backhoe and Fuso 5tonne Tipper, Work Supervisor, Chief Executive Officer and Plant Operator vehicles were all replaced. Along with minor equipment; Garden edger, Pole saw, lawn mower, brush cutters, diagnostic equipment, self-propelled leaf vacuum, mini fuel dispenser capital P & E expenditure was \$364,530.

Building, Furniture and equipment capital expense totalled \$473,740 - Admin Office upgrade completed, 2 Bay Fire shed completed, Staff and Other Housing upgrades, transportable depot office and records room, Cricket wicket, hockey field lights, cemetery shed, improvements to Arrino Garden and various town amenities, Pool chemical dispenser unit, IT equipment plus portable gazebo and seating for community functions were the main items for capital expenses.

GRANTS

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

Department of Fire and Emergency Services	\$170,309	Fire Shed
Council of the Ageing	\$ 1,000	Seniors Week
Black Swan Theatre Company	\$ 500	Live Broadcast
Office of Multicultural Interest	\$ 2,754	Harmony Week
Education Department	\$ 2,500	Facility Use
Meerilinga Young Children's Foundation	\$ 2,000	Children's Week
Department of Fire & Emergency Services	\$ 29,250	ESL

RATES

The 2017/2018 Annual Budget was adopted by Council at a Special Meeting held on 30th August 2017 with a 2.5% increase of rate in the \$, the total amount raised from rates amounted to \$2,039,712 slightly higher than 2016/2017 based on 2.5% increase.

RESERVE FUNDS

Cash backed Reserves to help with future major projects including plant and equipment purchases, Early Childhood Learning Centre, leave provisions, staff and community housing, upgrade and maintain Lovelock Soak plus provision for Road Projects and Drainage Project were added to Reserve Funds which totalled \$1,782,552 as at 30th June 2018.

Housing & Development	\$123,308
Plant	\$240,654
Leave	\$131,141
Joint Venture Housing	\$161,548
Swimming Pool Equipment	\$136,891
Gravel	\$47,703
Day Care Centre	\$520,893
Lovelock Soak	\$50,635
Road Project Reserve	\$25,000
Drainage Project Reserve	\$286,279
Unspent Grants	<u>\$58,500</u>
TOTAL	<u>\$1,782,552</u>

AUDIT

For the financial year ended 30th June 2018 the audit process was under control of Office of Auditor General with Moore Stephens contracted by OAG to undertake Shire of Three Springs audit. Interim audit was done in May 2018 and final Audit commenced in October and was completed in December 2018, a copy of the report is included within this Annual Report.

The draft Independent Auditors report to the Office of the Auditor General from Moore Stephens indicates the financial report is based on proper accounts and reports and fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 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.

The audited financial report of the Shire of Three Springs, comprises the Statement of Financial Position as at 30 June 2018, Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and the Rate Setting Statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

BUILDING WORKS IN THE SHIRE OF THREE SPRINGS

Building activity was mainly additions to dwellings and commercial/industrial buildings. Value of 2017/2018 was \$588,638 as per table below:-

TYPE	NUMBER	VALUE
New dwellings	0	
Additions to dwellings	4	\$284,927
Garages / Patios / Fences / Carports	1	\$2,400
Commercial /Industrial	5	\$301,311
TOTAL	10	\$588,638

DEMOLITION FEES

Nil asbestos demolition refuse fees received.

TOWN PLANNING and TOWN PLANNING SCHEME

Planning approvals issued for the 2017/2018 financial year were:-

Commercial Accommodation	1
Commercial Shed	1
Residential	2

The two development applications and Responsible Authority Reports for Solar Farm developers were submitted to Mid-West/Wheatbelt Joint Development Assessment Panel meetings in November and December 2017. Both Developments were approved subject to certain conditions and with a two year timeframe to substantially commence the projects. To date neither of the Developments have progressed beyond the JDAP meetings.

BUILDING MAINTENANCE PROGRAM

An extensive building maintenance program was undertaken during the year to ensure staff and non staff houses and public buildings controlled by Council were maintained as per the program.

Capital funds were expended on Administration Centre, Staff and non-staff housing, new Two-Bay Fire Shed, Doctor's Residence and Thrift Shop.

General repairs and maintenance to all buildings totalled \$223,682.

ENVIRONMENTAL HEALTH

Food recalls

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

THREE SPRINGS WASTE FACILITY

The current Refuse site is nearing its capacity, funding has been reserved for new cells to be dug at the new site adjacent to existing site.

MEDICAL and DENTAL FACILITIES

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

THREE SPRINGS AQUATIC CENTRE, SPORTS OVAL and RECREATION FACILITIES

During the off season the pool was emptied and repainted thus delaying opening for about a month. New lights were installed at the Sports Oval, a joint project between Western Power and the Football Club. The Hockey Club contributed towards the installation of 4 lights on their field and assisted by Council will progress towards having more installed in 2018/19. Along with hockey field and oval, the numerous parks within the townsite are mowed and maintained for the throughout the whole year.

SHIRE OF THREE SPRINGS ECO TOURISM CARAVAN PARK

The Short Stay Caravan Park and Dump Point continue to be popular and certainly valuable assets for Three Springs. The number of tourists visiting (in particular during Wildflower season) has increased and the positive comments received speaks volumes for these facilities. Due to the status as an "Eco" caravan park, fees are not permitted to be charged to the patrons, which does draw some criticism from the community, however majority of users donate the \$10 bond to Council and are more inclined to stay an extra day in Three Springs and contribute to the local businesses.

The weekend of the Off Road Racing event also draws people to our town, the oval is packed with motoring enthusiasts and overflow of competitors and visitors are accommodated outside the swimming pool and have use of the facilities at the "Eco Park".

STAFF

In 2017/2018 resignations were received from the following staff:-

Rick Ryan	Joe Clifford	Jess Couper
Brittany Cocking	Ron Martin	Gloria Webb
Melissa Raffan	Steven Matthews	

Shire of Three Springs welcomed the following staff in 2017/2018

Steven Matthews	Melissa Raffan	Bruce Clampett
Michael Metsemakers	Leslie Hagan	Pat Farr

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. Council's Corporate Business plan came under review this financial year, setting goals and objectives for the next four years. Following community consultation, along with a number of networking sessions the Corporate Business Plan 2017 – 2021 was adopted in June 2018

The Strategic Community Plan also reviewed in 2017/2018 was put out for community comments. The review process finalised late in 2018 culminated in Council's Strategic Community Plan 2018 – 2028 adopted in November. 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.

Funding to the value of \$1.05m for the construction of an Early Childhood Learning Centre was secured in 2016/17, a successful submission through Building Better Regions Fund Round 2 saw an additional amount of \$500,000 granted in July 2018. This project has been identified in both SCP and CBP and it is anticipated will be completed by September 2019.

Both the Pathways and Roads programs are assessed each year with select roads identified to be included in the annual budget. The cemetery redevelopment and heavy haulage route will be addressed further in 2019/2020.

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 2017/2018 financial year and is available on Council website www.threesprings.wa.gov.au.

During 2017/2018 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 2017/2018.

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 as 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 2018/2019.

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 2017/2018 Disability Access and Inclusion Plan progress report was lodged by 30th June 2018.

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

CONCLUSION

In conclusion my thanks go to Councillors and staff for their assistance, guidance, commitment and co-operation throughout the 2017/2018 year. Three Springs faces some challenging times ahead in implementing projects included in the Strategic Resource and Strategic Community Plans. With continued support from Councillors and staff I believe these projects are achievable and look forward to a rewarding 2018/2019 year.

SYLVIA YANDLE
CHIEF EXECUTIVE OFFICER

SHIRE OF THREE SPRINGS ORGANISATIONAL STRUCTURE

30 JUNE 2018



SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

TABLE OF CONTENTS

Statement by Chief Executive Officer	2
Statement of Comprehensive Income by Nature or Type	3
Statement of Comprehensive Income by Program	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Rate Setting Statement	8
Notes to and forming part of the Financial Report	9
Independent Auditor's Report	52

COMMUNITY VISION

Three Springs becomes a Healthy and Unified Community
with a Bright Future. **'Powering the Region'**

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

**SHIRE OF THREE SPRINGS
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

*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 2018 is based on proper accounts and records to present fairly the financial position of the Shire of Three Springs at 30 June 2018 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 5 day of December 2018



Chief Executive Officer

Sylvia Yandle

Name of Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Rates	21(a)	2,037,426	2,039,712	1,988,240
Operating grants, subsidies and contributions	2(a)	1,177,061	975,802	1,857,296
Fees and charges	2(a)	220,735	245,555	304,837
Interest earnings	2(a)	54,481	58,546	47,841
Other revenue	2(a)	63,988	49,750	67,150
		3,553,691	3,369,365	4,265,364
Expenses				
Employee costs		(936,416)	(1,184,567)	(1,020,803)
Materials and contracts		(448,902)	(1,284,944)	(401,500)
Utility charges		(212,769)	(230,515)	(213,182)
Depreciation on non-current assets	9(b)	(1,586,149)	(972,894)	(1,660,840)
Interest expenses	2(b)	(11,345)	(12,163)	(16,025)
Insurance expenses		(173,156)	(166,037)	(158,687)
Other expenditure		(41,052)	(43,233)	(65,374)
		(3,409,789)	(3,894,353)	(3,536,411)
		143,902	(524,988)	728,953
Non-operating grants, subsidies and contributions	2(a)	1,080,241	1,745,189	1,371,251
(Loss) on asset disposals	9(a)	(8,105)	(10,530)	(33,312)
Equity Share of Investment	18	70,068	0	0
(Loss) on revaluation of Infrastructure - Foothpaths	8(b)	0	0	(24,619)
Reversal of prior year loss on revaluation of Infrastructure - Parks and Ovals	8(b)	138,863	0	0
Net result		1,424,969	1,209,671	2,042,273
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	430,019	0	(2,777,216)
Total other comprehensive income		430,019	0	(2,777,216)
Total comprehensive income		1,854,988	1,209,671	(734,943)

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

**STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
Revenue				
Governance	2(a)	39,612	27,947	42,457
General purpose funding		3,081,842	2,516,951	3,472,557
Law, order, public safety		36,474	45,500	145,454
Health		16,473	19,500	17,717
Education and welfare		13,810	13,900	9,043
Housing		95,611	108,625	95,113
Community amenities		95,414	78,100	144,780
Recreation and culture		24,453	54,599	58,043
Transport		78,487	446,580	203,535
Economic services		8,304	11,813	10,377
Other property and services		63,211	45,850	66,288
		3,553,691	3,369,365	4,265,364
Expenses				
Governance	2(a)	(216,899)	(287,125)	(242,544)
General purpose funding		(34,969)	(35,979)	(43,188)
Law, order, public safety		(165,156)	(239,400)	(454,773)
Health		(119,997)	(109,640)	(126,618)
Education and welfare		(15,106)	(11,850)	(14,178)
Housing		(302,218)	(345,627)	(308,357)
Community amenities		(254,775)	(290,750)	(186,863)
Recreation and culture		(726,678)	(947,670)	(760,620)
Transport		(1,409,015)	(1,459,605)	(1,223,502)
Economic services		(94,812)	(110,076)	(106,769)
Other property and services		(58,819)	(44,468)	(52,974)
		(3,398,444)	(3,882,190)	(3,520,386)
Finance Costs				
Recreation and culture	2(b)	(8,129)	(7,200)	(8,540)
Transport		(3,216)	(4,963)	(7,485)
		(11,345)	(12,163)	(16,025)
		143,902	(524,988)	728,953
Non-operating grants, subsidies and contributions	2(a)	1,080,241	1,745,189	1,371,251
(Loss) on disposal of assets	9(a)	(8,105)	(10,530)	(33,312)
Equity Share of investment	18	70,068	0	0
(Loss) on revaluation of Infrastructure - Foothpaths	8(b)	0	0	(24,619)
Reversal of prior year loss on revaluation of Infrastructure - Parks and Ovals	8(b)	138,863	0	0
		1,281,067	1,734,659	1,313,320
Net result		1,424,969	1,209,671	2,042,273
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	10	430,019	0	(2,777,216)
Total other comprehensive income		430,019	0	(2,777,216)
Total comprehensive income		1,854,988	1,209,671	(734,943)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	3	3,235,209	2,960,690
Trade and other receivables	5	303,949	106,224
Inventories	6	5,497	1,905
TOTAL CURRENT ASSETS		3,544,655	3,068,819
NON-CURRENT ASSETS			
Other receivables	5	22,641	19,717
Investments	18	70,068	0
Property, plant and equipment	7	14,300,079	14,332,393
Infrastructure	8	35,324,600	33,985,425
TOTAL NON-CURRENT ASSETS		49,717,388	48,337,535
TOTAL ASSETS		53,262,043	51,406,354
CURRENT LIABILITIES			
Trade and other payables	11	189,325	92,963
Current portion of long term borrowings	12(a)	66,233	62,885
Provisions	13	148,222	171,860
TOTAL CURRENT LIABILITIES		403,780	327,708
NON-CURRENT LIABILITIES			
Long term borrowings	12(a)	140,675	206,908
Provisions	13	32,228	41,366
TOTAL NON-CURRENT LIABILITIES		172,903	248,274
TOTAL LIABILITIES		576,683	575,982
NET ASSETS		52,685,360	50,830,372
EQUITY			
Retained surplus		28,603,835	27,646,814
Reserves - cash backed	4	1,724,052	1,256,105
Revaluation surplus	10	22,357,473	21,927,453
TOTAL EQUITY		52,685,360	50,830,372

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018**

		RESERVES			
	NOTE	RETAINED SURPLUS	CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2016		26,027,171	833,475	24,704,669	51,565,315
Comprehensive income					
Net result		2,042,273	0	0	2,042,273
Changes on revaluation of assets	10	0	0	(2,777,216)	(2,777,216)
Total comprehensive income		2,042,273	0	(2,777,216)	(734,943)
Transfers from/(to) reserves		(422,630)	422,630	0	0
Balance as at 30 June 2017		27,646,814	1,256,105	21,927,453	50,830,372
Comprehensive income					
Net result		1,424,969	0	0	1,424,969
Changes on revaluation of assets	10	0	0	430,019	430,019
Total comprehensive income		1,424,969	0	430,019	1,854,988
Transfers from/(to) reserves		(467,947)	467,947	0	0
Balance as at 30 June 2018		28,603,835	1,724,052	22,357,473	52,685,360

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018

	NOTE	2018 Actual	2018 Budget	2017 Actual
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$	\$
Receipts				
Rates		2,027,858	2,054,712	1,981,116
Operating grants, subsidies and contributions		987,613	1,011,802	2,213,271
Fees and charges		220,735	245,555	304,837
Interest earnings		54,481	58,546	47,841
Goods and services tax		127,766	250,000	314,053
Other revenue		63,988	49,750	67,150
		3,482,441	3,670,365	4,928,268
Payments				
Employee costs		(967,754)	(1,184,567)	(973,412)
Materials and contracts		(356,752)	(1,314,473)	(450,062)
Utility charges		(212,769)	(230,515)	(213,182)
Interest expenses		(12,163)	(12,663)	(18,426)
Insurance expenses		(173,156)	(166,037)	(158,687)
Goods and services tax		(129,399)	(250,000)	(313,070)
Other expenditure		(41,052)	(43,233)	(65,374)
		(1,893,045)	(3,201,488)	(2,192,213)
Net cash provided by (used in) operating activities	14	1,589,396	468,877	2,736,055
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(817,700)	(2,278,451)	(866,912)
Payments for construction of infrastructure		(1,571,351)	(2,165,356)	(2,015,656)
Non-operating grants, subsidies and contributions		1,080,241	1,745,189	1,371,251
Proceeds from sale of fixed assets		56,818	80,000	31,414
Net cash provided by (used in) investment activities		(1,251,992)	(2,618,618)	(1,479,903)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term borrowings		(62,885)	(62,885)	(149,072)
Net cash provided by (used in) financing activities		(62,885)	(62,885)	(149,072)
Net increase (decrease) in cash held		274,519	(2,212,626)	1,107,080
Cash at beginning of year		2,960,690	2,960,690	1,853,610
Cash and cash equivalents at the end of the year	14	3,235,209	748,064	2,960,690

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

**RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018 Actual \$	2018 Budget \$	2017 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		1,675,807	1,714,991	1,345,633
Revenue from operating activities (excluding rates)				
Governance		39,612	27,947	42,457
General purpose funding		1,044,416	528,711	1,484,317
Law, order, public safety		36,474	45,500	145,454
Health		16,473	19,500	17,717
Education and welfare		13,810	13,900	9,043
Housing		95,611	108,625	95,113
Community amenities		95,414	78,100	144,780
Recreation and culture		24,453	54,599	58,043
Transport		78,487	446,580	203,535
Economic services		8,304	11,813	10,377
Other property and services		63,211	45,850	66,288
		1,516,265	1,381,125	2,277,124
Expenditure from operating activities				
Governance		(219,809)	(288,039)	(242,544)
General purpose funding		(34,969)	(35,979)	(43,188)
Law, order, public safety		(165,156)	(239,400)	(454,773)
Health		(119,997)	(109,640)	(126,618)
Education and welfare		(15,106)	(11,850)	(14,178)
Housing		(302,218)	(345,627)	(329,415)
Community amenities		(254,775)	(290,750)	(186,863)
Recreation and culture		(734,807)	(954,870)	(769,160)
Transport		(1,417,426)	(1,474,184)	(1,243,241)
Economic services		(94,812)	(110,076)	(106,769)
Other property and services		80,044	(44,468)	(77,593)
		(3,279,031)	(3,904,883)	(3,594,342)
Operating activities excluded				
Loss on disposal of assets	9(a)	8,105	10,530	33,312
Loss on revaluation of fixed assets	8(b)	0	0	24,619
(Reversal) of prior year loss on revaluation of fixed assets		(138,863)	0	0
Movement in deferred pensioner rates (non-current)		(2,924)	0	(1,490)
Movement in Leave Reserve (Added Back)		3,225	0	3,342
Movement in employee benefit provisions (non-current)		(9,138)	0	(9,866)
Depreciation and amortisation on assets	9(b)	1,586,149	972,894	1,660,840
Amount attributable to operating activities		1,359,595	174,659	1,739,172
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,080,241	1,745,189	1,371,251
Proceeds from disposal of assets	9(a)	56,818	80,000	31,414
Purchase of property, plant and equipment	7(b)	(817,700)	(2,278,451)	(866,912)
Purchase and construction of infrastructure	8(b)	(1,571,351)	(2,165,356)	(2,015,656)
Amount attributable to investing activities		(1,251,992)	(2,618,618)	(1,479,903)
FINANCING ACTIVITIES				
Repayment of long term borrowings	12(a)	(62,885)	(62,885)	(149,072)
Transfers to reserves (restricted assets)	4	(467,947)	(81,396)	(422,630)
Transfers from reserves (restricted assets)	4	0	600,000	0
Amount attributable to financing activities		(530,832)	455,719	(571,702)
Surplus(deficiency) before general rates		(423,229)	(1,988,240)	(312,433)
Total amount raised from general rates	21	2,037,426	1,988,240	1,988,240
Net current assets at June 30 c/fwd - surplus/(deficit)	22	1,614,197	0	1,675,807

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 to the extent they are not in-consistent with the *Local Government Act 1995* and accompanying regulations.), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. 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.

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 any other sporting 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.

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

(a) Revenue

Other revenue

Reimbursements and recoveries
Other

Fees and Charges

Governance
General purpose funding
Law, order, public safety
Health
Housing
Community amenities
Recreation and culture
Economic services
Other property and services

2018 Actual	2017 Actual
\$	\$
50,928	56,009
13,060	11,141
63,988	67,150
10,666	13,554
5,716	6,040
1,226	3,853
16,473	16,438
86,799	86,105
74,673	154,273
13,190	13,306
7,131	8,050
4,861	3,218
220,735	304,837

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Grant Revenue

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

	2018	2017
	\$	\$
Operating grants, subsidies and contributions		
Governance	1,016,048	15,767
General purpose funding	4,485	1,452,807
Law, order, public safety	35,248	141,601
Health	0	1,279
Education and welfare	1,000	960
Housing	1,807	3,700
Community amenities	19,500	(9,939)
Recreation and culture	10,356	43,797
Transport	61,410	189,107
Economic services	0	1,000
Other property and services	27,207	17,217
	1,177,061	1,857,296
Non-operating grants, subsidies and contributions		
Law, order, public safety	170,309	494,910
Recreation and culture	0	4,032
Transport	909,932	872,309
	1,080,241	1,371,251
Total grants, subsidies and contributions	2,257,302	3,228,547

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 period.

Interest earnings

- Reserve funds
- Other funds
Other interest revenue (refer note 21(b))

2018 Actual	2018 Budget	2017 Actual
\$	\$	\$
31,668	31,396	22,430
11,346	15,500	14,181
11,467	11,650	11,230
54,481	58,546	47,841

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other Audit Services

Interest expenses (finance costs)

- Long term borrowings (refer Note 12(a))

Rental charges

- Operating leases

	2018	2017
	\$	\$
	11,981	23,836
	4,920	2,300
	16,901	26,136
	11,345	16,025
	11,345	16,025
	2,999	17,994
	2,999	17,994

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

3. CASH AND CASH EQUIVALENTS

	NOTE	2018	2017
		\$	\$
Unrestricted		1,452,657	1,589,086
Restricted		1,782,552	1,371,604
		3,235,209	2,960,690
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	4	131,141	127,916
Plant Reserve	4	240,654	234,736
Housing & Development Reserve	4	123,308	120,276
Joint Venture Housing Reserve	4	161,548	157,576
Gravel Pit Reserve	4	47,703	46,530
Swimming Pool Equipment Reserve	4	136,891	35,984
Day Care Centre Reserve	4	520,893	508,083
Lovelock Sock Reserve	4	50,635	25,004
Road Reserve	4	25,000	0
Drainage Reserve	4	286,279	0
Unspent grants	20	58,500	115,499
		1,782,552	1,371,604

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 and which are subject to an insignificant risk of changes in value

Cash and cash equivalents (Continued)

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

4. RESERVES - CASH BACKED

	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual	2018 Budget Opening Balance	2018 Budget Transfer to	2018 Budget Transfer (from)	2018 Budget Closing Balance	2017 Actual Opening Balance	2017 Actual Transfer to	2017 Actual Transfer (from)	2017 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	127,916	3,225	0	131,141	127,916	3,197	0	131,113	124,573	3,342	0	127,915
Plant Reserve	234,736	5,918	0	240,654	234,736	5,867	0	240,603	131,198	103,537	0	234,735
Housing & Development Reserve	120,276	3,032	0	123,308	120,276	3,006	0	123,282	78,172	42,104	0	120,276
Joint Venture Housing Reserve	157,576	3,973	0	161,549	157,576	3,939	(100,000)	61,515	119,173	38,404	0	157,577
Gravel Pit Reserve	46,530	1,173	0	47,703	46,530	1,163	0	47,693	45,315	1,216	0	46,531
Swimming Pool Equipment Reserve	35,984	100,907	0	136,891	35,984	899	0	36,883	35,044	940	0	35,984
Day Care Centre Reserve	508,083	12,810	0	520,893	508,083	12,700	(500,000)	20,783	300,000	208,083	0	508,083
Lovelock Sock Reserve	25,004	25,630	0	50,634	25,004	25,625	0	50,629	0	25,004	0	25,004
Road Reserve	0	25,000	0	25,000	0	25,000	0	25,000				0
Drainage Reserve	0	286,279	0	286,279	0	0	0	0				0
	1,256,105	467,947	0	1,724,052	1,256,105	81,396	(600,000)	737,501	833,475	422,630	0	1,256,105

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
Leave Reserve	ongoing	To be used to fund annual and long service leave requirements.
Plant Reserve	ongoing	To be used for the purchase of major plant.
Housing & Development Reserve	30-Jun-19	To be used to fund housing/accommodation projects.
Joint Venture Housing Reserve	30-Jun-19	To be used to maintain the joint Ministry of Housing/Local Government Properties.
Gravel Pit Reserve	ongoing	To be used for rehabilitation of disused gravel pits.
Swimming Pool Equipment Reserve	30-Jun-19	To be used to purchase recreational equipment for the swimming pool.
Day Care Centre Reserve	30-Jun-19	To be used to upgrade Child Care Building and equipments.
Lovelock Sock Reserve	ongoing	To be used to upgrade potable water infrastructure.
Road Reserve	ongoing	To be used for future capital road works.
Drainage Reserve	ongoing	To be used for construction of proper town drainage system.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

5. TRADE AND OTHER RECEIVABLES

Current

Rates outstanding
Sundry debtors
GST receivable
Provision for Doubtful Debts
Accrued Income
Other receivables

Non-current

Rates outstanding - pensioners

Information with respect to the impairment or otherwise of the totals of rates outstanding and sundry debtors is as follows:

Rates outstanding

Includes:

Past due and not impaired

- 1 to 5 years
- more than 5 years

Sundry debtors

Includes:

Past due and not impaired

- up to 1 month
- 1 to 3 months
- 3 months to one year
- 1 to 5 years

Impaired

2018	2017
\$	\$
35,623	29,700
209,935	71,336
1,633	0
(1,055)	(5,096)
40,720	0
17,093	10,284
303,949	106,224
22,641	19,717
22,641	19,717
53,726	46,313
4,538	3,104
58,264	49,417
205,618	65,135
1,362	0
1,710	390
190	2,856
208,880	68,381
1,055	2,955

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.

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

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

Classification and subsequent measurement

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

6. INVENTORIES

Current

Fuel and Materials

2018	2017
\$	\$
5,497	1,905
5,497	1,905

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 sale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

7 (a). PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Land and buildings		
Land - freehold land at:		
- Independent valuation 2017 - level 2	430,000	430,000
- Independent valuation 2017 - level 3	364,000	364,000
- Management valuation 2017 - level 3	50,262	50,262
- Additions after Valuation - cost	5,870	3,459
Total land	850,132	847,721
Buildings - non-specialised at:		
- Independent valuation 2017 - level 2	2,967,682	2,967,682
- Additions after Valuation - cost	99,289	10,883
Less: accumulated depreciation	(284,215)	(141,261)
	2,782,756	2,837,304
Buildings - specialised at:		
- Independent valuation 2017 - level 3	8,137,500	8,137,500
- Additions after Valuation - cost	504,221	215,346
Less: accumulated depreciation	(682,787)	(337,513)
	7,958,934	8,015,333
Total buildings	10,741,690	10,852,637
Total land and buildings	11,591,822	11,700,358
Furniture and equipment at:		
- Management valuation 2016 - level 2	33,982	33,982
- Management valuation 2016 - level 3	101,528	101,528
- Additions after Valuation - cost	95,737	3,395
Less: accumulated depreciation	(48,252)	(21,246)
	182,995	117,659
Plant and equipment at:		
- Management valuation 2016 - level 2	2,008,943	2,106,143
- Management valuation 2016 - level 3	16,531	16,531
- Additions after Valuation - cost	976,511	611,981
Less: accumulated depreciation	(485,903)	(242,127)
	2,516,082	2,492,528
Work In Progress	9,180	21,848
	9,180	21,848
Total property, plant and equipment	14,300,079	14,332,393

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	PPE - WIP	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	945,463	945,463	3,142,160	8,319,425	11,461,585	12,407,048	162,862	2,309,274	0	14,879,184
Additions	3,459	3,459	22,614	225,463	248,077	251,536	3,395	611,981	0	866,912
(Disposals)	0	0	(21,058)	(3,000)	(24,058)	(24,058)	0	(40,668)	0	(64,726)
Revaluation increments/ (decrements) transferred to revaluation surplus	(101,201)	(101,201)	(204,212)	(205,533)	(409,745)	(510,946)	0	0	0	(510,946)
Depreciation (expense)	0	0	(141,261)	(338,257)	(479,518)	(479,518)	(21,246)	(388,059)	0	(888,823)
Transfers	0	0	39,061	17,235	56,296	56,296	(27,352)	0	21,848	50,792
Carrying amount at 30 June 2017	847,721	847,721	2,837,304	8,015,333	10,852,637	11,700,358	117,659	2,492,528	21,848	14,332,393
Additions	2,411	2,411	76,675	313,410	390,085	392,496	51,495	364,529	9,180	817,700
(Disposals)	0	0	0	0	0	0	0	(64,923)	0	(64,923)
Depreciation (expense)	0	0	(142,954)	(345,274)	(488,228)	(488,228)	(27,006)	(276,052)	0	(791,286)
Transfers	0	0	11,731	(24,535)	(12,804)	(12,804)	40,847	0	(21,848)	6,195
Carrying amount at 30 June 2018	850,132	850,132	2,782,756	7,958,934	10,741,690	11,591,822	182,995	2,516,082	9,180	14,300,079

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

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

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

8 (a). INFRASTRUCTURE

Infrastructure - Roads

- Management valuation 2017 - level 3

- Additions after Valuation - cost

Less: accumulated depreciation

2018	2017
\$	\$
32,031,145	32,031,145
3,515,232	1,879,426
(1,497,863)	(739,995)
34,048,514	33,170,576

Infrastructure - Foothpaths

- Management valuation 2017 - level 3

- Additions after Valuation - cost

Less: accumulated depreciation

200,017	200,017
32,620	32,620
(10,951)	(5,135)
221,686	227,502

Infrastructure - Parks and Ovals

- Management valuation 2015 - level 3

- Management valuation 2015 - level 3

- Independent valuation 2018 - level 3

- Additions after Valuation - cost

Less: accumulated depreciation

0	245,000
0	59,496
1,173,200	0
0	20,109
(451,100)	(31,984)
722,100	292,621

Infrastructure - Airfield

- Management valuation 2015 - level 3

- Management valuation 2018 - level 3

Less: accumulated depreciation

0	228,000
791,500	0
(459,200)	(18,300)
332,300	209,700

Work In Progress

0	85,026
0	85,026

Total infrastructure

35,324,600	33,985,425
------------	------------

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Infrastructure -					Total
	Infrastructure - Roads	Infrastructure - Footpaths	Parks and Ovals	Infrastructure - Airfield	Infrastructure - WIP	Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	34,297,415	224,636	328,856	218,850	13,710	35,083,467
Additions	1,950,742	32,620	32,294	0	0	2,015,656
Revaluation increments/ (decrements) transferred to revaluation surplus	(2,266,270)	0	0	0	0	(2,266,270)
Revaluation (loss)/ reversals transferred to profit or loss	0	(24,619)	0	0	0	(24,619)
Depreciation (expense)	(739,995)	(5,135)	(17,737)	(9,150)	0	(772,017)
Transfers	(71,316)	0	(50,792)	0	71,316	(50,792)
Carrying amount at 30 June 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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Foothpaths	3	Cost approach using depreciated replacement cost	Management Valuation	July 2016	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Airfield	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2018	Construction costs and current condition (Level 3), residual values and remaining useful life assessments (Level 3) inputs

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

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

9. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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 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.

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.

9. FIXED ASSETS (Continued)

(a) Disposals of Assets

The following assets were disposed of during the year.

	Actual Net Book Value	Actual Sale Proceeds	Actual Profit	Actual Loss	Budget Net Book Value	Budget Sale Proceeds	Budget Profit	Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$
Plant and Equipment								
Governance								
Holden Calais	17,456	14,545	0	(2,911)	20,914	20,000	0	(914)
Transport								
Ford PX Ranger Single Cab	13,614	10,909	0	(2,705)	13,126	10,000	0	(3,126)
Ford PX MKII Ranger Dual Cab	33,853	31,364	0	(2,489)	38,056	35,000	0	(3,056)
Case 580OLE Backhoe	0	0	0	0	18,434	15,000	0	(3,434)
	64,923	56,818	0	(8,105)	90,530	80,000	0	(10,530)

(b) Depreciation

	2018	2017
	\$	\$
Buildings - non-specialised	142,954	141,261
Buildings - specialised	345,274	338,257
Furniture and equipment	27,006	21,246
Plant and equipment	276,052	388,059
Infrastructure - Roads	757,868	739,995
Infrastructure - Foothpaths	5,816	5,135
Infrastructure - Parks and Ovals	22,029	17,737
Infrastructure - Airfield	9,150	9,150
	1,586,149	1,660,840

9. FIXED ASSETS (Continued)

(b) Depreciation (Continued)

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.

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:

- 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
- Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation rates

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

Buildings	5 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	10 years
Formed roads (unsealed)	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage piping	100 years
Water supply piping and drainage system	75 years

Depreciation (Continued)

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

10. REVALUATION SURPLUS

	2018 Opening Balance	2018 Revaluation Increment	2018 Total Movement on Revaluation	2018 Closing Balance	2017 Opening Balance	2017 Revaluation (Decrement)	2017 Total Movement on Revaluation	2017 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$
Land and Buildings	7,993,685	0	0	7,993,685	8,504,631	(510,946)	(510,946)	7,993,685
Revaluation surplus -Plant and equipment	617,902	0	0	617,902	617,902	0	0	617,902
Revaluation surplus - Infrastructure - Roads	13,134,301	0	0	13,134,301	15,400,571	(2,266,270)	(2,266,270)	13,134,301
Revaluation surplus - Infrastructure - Parks and Ovals	0	298,269	298,269	298,269	0	0	0	0
Revaluation surplus - Infrastructure - Airfield	181,566	131,750	131,750	313,316	181,566	0	0	181,566
	21,927,454	430,019	430,019	22,357,473	24,704,670	(2,777,216)	(2,777,216)	21,927,454

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Accrued interest on long term borrowings
Accrued salaries and wages
ATO liabilities
Accrued Expenditure
Excess Rates

2018	2017
\$	\$
139,158	74,383
1,617	2,435
9,600	10,565
3,453	1,050
28,755	0
6,742	4,530
189,325	92,963

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS

(a) Repayments - Borrowings

Particulars	Interest Rates	Principle 1 July 2017	Principal Repayments		Principal 30 June 2018		Interest Repayments	
			Actual	Budget	Actual	Budget	Actual	Budget
	%	\$	\$	\$	\$	\$	\$	\$
Recreation and culture								
Loan 156 - Swimming Pool	5.3200	34,166	16,635	16,635	17,531	17,531	1,705	1,599
Loan 160 - Swimming Pool	3.9100	147,901	18,755	18,755	129,146	129,146	6,424	5,601
Transport								
Loan 157 - Grader	6.1300	87,726	27,495	27,495	60,231	60,231	3,216	4,963
		269,793	62,885	62,885	206,908	206,908	11,345	12,163

All above loans are with WA Treasury Corporation.

All loan repayments were financed by general purpose revenue.

Borrowings

	2018	2017
	\$	\$
Current	66,233	62,885
Non-current	140,675	206,908
	206,908	269,793

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

12. INFORMATION ON BORROWINGS (Continued)

(b) Undrawn Borrowing Facilities

Credit Standby Arrangements

Credit card limit

Credit card balance at balance date

Total amount of credit unused

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

Unused loan facilities at balance date

2018	2017
\$	\$
11,000	11,000
0	(26)
11,000	10,974
66,233	62,885
140,675	206,908
206,908	269,793
NIL	NIL

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

13. PROVISIONS

Opening balance at 1 July 2017

Current provisions
Non-current provisions

Additional provision
Amounts used

Balance at 30 June 2018

Comprises

Current
Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2017			
Current provisions	107,290	64,570	171,860
Non-current provisions	0	41,366	41,366
	107,290	105,936	213,226
Additional provision	(1,168)	5,845	4,677
Amounts used	(10,370)	(27,083)	(37,453)
Balance at 30 June 2018	95,752	84,698	180,450
Comprises			
Current	95,752	52,470	148,222
Non-current	0	32,228	32,228
	95,752	84,698	180,450

Annual Leave and current long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Current Provisions

Within 12 months of the end of the reporting period
More than 12 months after the end of the reporting period

	Annual /Sick Leave	Long Service Leave	Total
	\$	\$	\$
Within 12 months of the end of the reporting period	44,469	15,501	59,970
More than 12 months after the end of the reporting period	51,283	36,969	88,252
	95,752	52,470	148,222

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

14. 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:

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Cash and cash equivalents	3,235,209	748,064	2,960,690
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,424,969	1,209,671	2,042,273
Non-cash flows in Net result:			
Depreciation	1,586,149	972,894	1,660,840
(Profit)/loss on sale of asset	8,105	10,530	33,312
Loss on revaluation of fixed assets	0	0	24,619
Reversal of loss on revaluation of fixed assets	(138,863)	0	0
Equity Share of Investment	(70,068)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(200,649)	51,000	349,834
(Increase)/decrease in inventories	(3,592)	(5,000)	9,531
Increase/(decrease) in payables	96,362	(25,029)	(57,222)
Increase/(decrease) in provisions	(32,776)	0	44,119
Non operating Grants and contributions for the development of assets	(1,080,241)	(1,745,189)	(1,371,251)
Net cash from operating activities	1,589,396	468,877	2,736,055

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2018	2017
	\$	\$
Governance	1,270,085	1,238,339
General purpose funding	587,474	553,896
Law, order, public safety	1,404,338	1,137,490
Health	1,791,698	1,610,168
Education and welfare	535,295	515,494
Housing	2,838,187	3,117,138
Community amenities	372,926	319,444
Recreation and culture	5,326,819	4,991,044
Transport	35,596,261	34,384,716
Economic services	216,338	212,481
Other property and services	1,486,868	1,347,479
Unallocated	1,835,754	1,978,665
	53,262,043	51,406,354

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

16. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects
- plant & equipment purchases

Payable:

- not later than one year

2018	2017
\$	\$
128,792	29,148
0	156,510
128,792	185,658

The capital expenditure project outstanding at the end of the current reporting period represents the construction of Early Childhood Learning Centre.
(the prior year commitment was for purchase of Backhoe and refurbishment of Buildings).

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but

Payable:

- not later than one year

0	14,995
0	14,995

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

17. JOINT ARRANGEMENTS

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

	2018	2017
	\$	\$
Non-current assets		
Land and buildings	142,674	142,674
Less: accumulated depreciation	(8,560)	(4,280)
	134,114	138,394

The Shire together with the Department of Housing and Works constructed two (2) houses for community housing purposes in 1985/86 and 1986/87 in Glyde Street, Three Springs. Council's 10.78% equity in 54 Glyde Street and 11.14% equity in 60 Glyde Street is included in Land and Buildings as follow:-

	2018	2017
	\$	\$
Non-current assets		
Land and buildings	64,535	15,308
Less: accumulated depreciation	(4,289)	(1,531)
	60,246	13,777

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. Refer to note 26 for a description of the equity method of accounting.

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.

18. Investment in Other Entities

Equity Contribution in Local Government House

The Shire with other Local Authorities is a beneficiary of the Local Government Unit Trust established in 1979/80. The Shire of Three Springs for the first time has recognised the increase in value of the 4 units in the Trust based on the Trust's audited financial report as at 30 June 2018. As set out in the Trust Deed, units in the Trust can only be issued to Local Authorities recognised under the Local Government Act and cannot be commercially traded.

	2018	2017
	\$	\$
Share of Local Government Unit Trust (4 Units)	70,068	0

SIGNIFICANT ACCOUNTING POLICIES

Classification and subsequent measurement

Available-for-sale financial assets

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

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

Derecognition

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

19 RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2018 Actual	2018 Budget	2017 Actual
	\$	\$	\$
Meeting Fees	9,966	12,672	10,428
President's allowance	7,500	7,500	7,500
Deputy President's allowance	1,375	1,375	1,375
	18,841	21,547	19,303

Key Management Personnel (KMP) Compensation Disclosure

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

	2018	2017
	\$	\$
Short-term employee benefits	376,590	357,476
Post-employment benefits	41,722	38,780
Termination benefits	3,683	0
	421,995	396,256

Short-term employee benefits

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

Termination benefits

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

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.

The following transactions occurred with related parties:

	2018	2017
	\$	\$
Purchase of goods and services		
- Entities controlled by KMP	18,167	46,952
Amounts outstanding from related parties:		
Trade and other receivables		
- Outstanding debts from KMP	23,241	14,754
Amounts payable to related parties:		
Trade and other payables		
- Entities controlled by KMP	1,737	0

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel (KMP)

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. Close family members of KMP and entities controlled or jointly controlled by KMP or close family members are also considered related parties of the shire.

iii. Joint venture entities accounted for under the proportionate consolidation method

The Shire has interests in community housing and aged residents housing. The interest in the joint venture entity is accounted for in these financial statements using the proportionate consolidation method of accounting. For details of interests held in joint venture entities, refer to Note 17.

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening Balance ⁽¹⁾ 1/07/16	Received ⁽²⁾ 2016/17	Expended ⁽³⁾ 2016/17	Closing Balance ⁽¹⁾ 30/06/17	Received ⁽²⁾ 2017/18	Expended ⁽³⁾ 2017/18	Closing Balance 30/06/18
	\$	\$	\$	\$	\$	\$	\$
Governance							
CLGF - Admin Upgrade	234,828		(161,988)	72,840	0	(72,840)	0
Law, order, public safety							
FESA - Emergency Services	0	532,027	(532,027)	0	0	0	0
DFES - Fire Shed Grant	0	0	0	0	170,309	(170,309)	0
DFES - Operational grants	0	0	0	0	29,250	(29,250)	0
Education and welfare							
Seniors Week Grant	750	0	(750)	0	1,000	(1,000)	0
Community amenities							
Main Street Revitalisation	0	4,032	(4,032)	0	0	0	0
Community Grant	0	5,455	(1,796)	3,659	0	(3,659)	0
Karara Mining - Refuse Site Contribution *	19,500	19,500		39,000	19,500	0	58,500
Recreation and culture							
Community Pool Grant - CPRPS	0	32,000	(32,000)	0	0	0	0
Harmony Week Grant	0	0	0	0	2,300	(2,300)	0
Children's Week	0	0	0	0	2,000	(2,000)	0
Transport							
Roads To Recovery	133,902	403,111	(537,013)	0	410,814	(410,814)	0
Regional Road Grants - MRWA	177,868	469,198	(647,066)	0	499,118	(499,118)	0
RRG Direct Grants	0	101,602	(101,602)	0	59,256	(59,256)	0
Economic services							
Grants - Arrino Gardens	14,216	0	(14,216)	0	0	0	0
Volunteers Grant - Visitor Centre	0	1,000	(1,000)	0	0	0	0
Total	581,064	1,567,925	(2,033,490)	115,499	1,193,547	(1,250,546)	58,500

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.

Note (*) Contributions were omitted incorrectly in the previous reporting periods, have been adjusted accordingly.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Total Revenue \$	Budget Total Revenue \$	2017 Total Revenue \$
Differential general rate / general rate								
Gross rental valuations								
GRV- Residential	0.1173	208	2,032,472	238,330	138	238,467	238,329	230,348
GRV Mining	0.2345	1	252,500	59,217	0	59,217	59,217	57,702
Unimproved valuations								
UV - Rural & Arrino Town	0.0150	183	111,343,100	1,673,821	(517)	1,673,304	1,675,278	1,633,951
UV- Mining	0.1192	14	349,830	41,688	0	41,688	41,688	40,279
Sub-Total		406	113,977,902	2,013,056	(379)	2,012,676	2,014,512	1,962,280
Minimum payment	Minimum \$							
Gross rental valuations								
GRV- Residential	450	20	13,439	9,000	0	9,000	9,000	10,120
Unimproved valuations								
UV - Rural & Arrino Town	450	22	294,800	9,900	0	9,900	10,350	10,120
UV- Mining	450	13	26,996	5,850	0	5,850	5,850	5,720
Sub-Total		55	335,235	24,750	0	24,750	25,200	25,960
Totals		461	114,313,137	2,037,806	(379)	2,037,426	2,039,712	1,988,240
						2,037,426	2,039,712	1,988,240

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION (Continued)

(b) Discounts, Incentives, Concessions, & Write-offs

Waivers or Concessions

Rate or Fee and
Charge to which
the Waiver or
Concession is Granted

Type	Discount	Discount	Actual	Budget	2017
	%	\$	\$	\$	\$
Rate Assessment	Write off	0%	0	1,545	0
Rate Assessment	waiver	80%	0	868	0
			2,413	0	0

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

General rate - 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	Council considers support of these groups necessary for the benefit of the community.	
Community Hall Hire	Community groups requiring hall hire		
Community Bus Hire	School excursions and recreational activities for community groups		

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018

21. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge	Instalment Plan Interest Rate	Unpaid Rates Interest Rate
		\$	%	%
Option One				
Single full payment	23-Oct-17			11.00%
Option Two				
First instalment	23-Oct-17			11.00%
Second instalment	22-Dec-17	12	5.50%	11.00%
Option Three				
First instalment	23-Oct-17			
Second instalment	22-Dec-17	12	5.50%	11.00%
Third instalment	22-Feb-18	12	5.50%	11.00%
Fourth instalment	23-Apr-18	12	5.50%	11.00%

	2018	2018 Budget	2017
	\$	\$	\$
Interest on unpaid rates	7,006	5,500	5,262
Interest on instalment plan	4,066	6,000	5,811
Charges on instalment plan	1,716	2,200	2,040
Interest on ESL	234	150	157
	13,022	13,850	13,270

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

22. NET CURRENT ASSETS

Composition of net current assets for
the purposes of the Rate Setting Statement

	2018 (30 June 2018 carried Forward) \$	2017 (1 July 2017 brought Forward) \$
Surplus/(Deficit) 1 July 17 brought forward	1,614,197	1,675,807
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	1,511,157	1,704,585
Restricted	1,724,052	1,256,105
Receivables		
Rates outstanding	38,126	31,482
Sundry debtors	224,525	79,838
GST receivable	1,633	0
Loans receivable - clubs/institutions	0	0
Provision for Doubtful Debts	(1,055)	(5,096)
Accrued Income	40,720	0
Inventories		
Fuel and Materials	5,497	1,905
LESS: CURRENT LIABILITIES		
Trade and other payables		
Sundry creditors	(139,158)	(74,383)
Accrued interest on long term borrowings	(1,617)	(2,435)
Accrued salaries and wages	(9,600)	(10,565)
ATO liabilities	(3,453)	(1,050)
Accrued Expenditure	(28,755)	0
Excess Rates	(6,742)	(4,530)
Current portion of long term borrowings	(66,233)	(62,885)
Provisions		
Provision for annual leave	(95,752)	(107,290)
Provision for long service leave	(52,470)	(64,570)
Unadjusted net current assets	3,140,875	2,741,111
Adjustments		
Less: Reserves - restricted cash	(1,724,052)	(1,256,105)
Add: Current portion of long term borrowings	66,233	62,885
Add: Component of Leave Liability not required to be funded	131,141	127,916
Adjusted net current assets - surplus/(deficit)	1,614,197	1,675,807

Difference

There was no difference between the surplus/(deficit) 1 July 2017 brought forward position used in the 2018 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2017 audited financial report.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

23. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,235,209	2,960,690	3,235,209	2,960,690
Receivables	326,590	125,941	326,590	125,941
	3,561,799	3,086,631	3,561,799	3,086,631
Financial liabilities				
Payables	189,325	92,963	189,325	92,963
Borrowings	206,908	269,793	215,955	284,818
	396,233	362,756	405,280	377,781

Fair value is determined as follows:

Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.

Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

23. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

The Shire's objective is to maximise its return on cash whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash portfolio. Council has an Investment Policy and the Policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash is subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by Local Government (Financial Management) Regulation 19C.

	2018	2017
Impact of a 1% ⁽¹⁾ movement in interest rates on cash	\$	\$
- Equity	32,352	29,607
- Statement of Comprehensive Income	32,352	29,607

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible interest rate movements.

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2018	2017
	%	%
Percentage of rates and annual charges		
- Current	0%	0%
- Overdue	100%	100%
Rates overdue:		
- 1 to 5 years	92%	94%
- more than 5 years	8%	6%
Percentage of other receivables		
- Current	98%	91%
- Overdue	2%	9%
Aged debtors:		
- up to 1 month	98%	91%
- 1 to 3 months	1%	0%
- 3 months to one year	1%	5%
- 1 to 5 years	0%	4%

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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.

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
2018	\$	\$	\$	\$	\$
Payables	189,325	0	0	189,325	189,325
Borrowings	75,048	129,884	24,357	229,289	206,908
	264,373	129,884	24,357	418,614	396,233
2017					
Payables	92,963	0	0	92,963	92,963
Borrowings	75,048	180,576	48,713	304,337	269,793
	168,011	180,576	48,713	397,300	362,756

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

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

Year ended 30 June 2018	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
Borrowings								
Fixed rate								
Long term borrowings	17,531	60,231	0	0	0	129,146	206,908	4.68%
Weighted average Effective interest rate	5.32%	6.13%				3.91%		
Year ended 30 June 2017								
Borrowings								
Fixed rate								
Long term borrowings	0	34,166	87,726	0	0	147,901	269,793	4.81%
Weighted average Effective interest rate		5.32%	6.13%			3.91%		

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

24. TRUST FUNDS

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

	1 July 2017	Amounts Received	Amounts Paid	30 June 2018
	\$	\$	\$	\$
Arrowsmith Catchment	87,459	0	0	87,459
Arrowsmith Rates	1,489	0	0	1,489
East Three Springs Catchment	2,014	0	0	2,014
Three Springs LCDC	4,334	0	0	4,334
Police Department Licensing	1,198	245,610	(246,021)	787
Housing Bonds General	280	0	0	280
BCITF Levy	0	709	(618)	91
BRB Levy	56	715	(709)	62
Community Bus Bond	100			100
	<u>96,930</u>			<u>96,616</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

25 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS

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

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

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

Notes:

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

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

25 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE PERIODS (Continued)

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

Notes:

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

Adoption of New and Revised Accounting Standards

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

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

- | | | |
|------|---|----------------|
| (i) | AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities | 1 January 2017 |
| (ii) | AASB 2016-7 Amendments to Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities | 1 January 2017 |

26. 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 operating 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 regulatory to ensure the carrying value does not differ materially from that which would be determined using fair value at the ends of the reporting period.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

27. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To Provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services to members of council: Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to fund provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To ensure a safer community in which to live.	Supervision of various local laws, fire prevention, emergency services and animal control.
HEALTH	To provide an operational framework for good community health.	Food quality and pest control, maintenance of child health centre, medical centre, dental clinic and administration of group health scheme.
EDUCATION AND WELFARE	To support the needs of the community in education and welfare.	Assistance to Day Care Centre, Playgroup, Youth activities and other voluntary services.
HOUSING	Provide adequate housing to attract and retain staff and non-staff.	Maintenance of council owned staff and non-staff housing.
COMMUNITY AMENITIES	Provide services as required by the community.	Rubbish collection services, tip operation, noise control, town planning administration, cemetery maintenance, rest centres, stormwater drainage and FM radio retransmitter.
RECREATION AND CULTURE	To establish and efficiently manage infrastructure and resources that help the social wellbeing of the community.	Maintenance of swimming pool, recreation centre, library, parks, gardens and reserves.
TRANSPORT	To provide effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, traffic lights, cycleways, depot maintenance and airstrip maintenance
ECONOMIC SERVICES	To help promote the shire and improve its economic well being.	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control, plant nursery and standpipes.
OTHER PROPERTY AND SERVICES	To monitor and control overheads and operating accounts.	Private work operations, plant repairs and operations and engineering costs.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2018**

28. FINANCIAL RATIOS

	2018	2017	2016
Current ratio	6.46	8.49	3.10
Asset consumption ratio	0.50	0.47	0.49
Asset renewal funding ratio	1.73	1.68	1.76
Asset sustainability ratio	1.24	1.17	0.71
Debt service cover ratio	26.17	14.22	5.74
Operating surplus ratio	0.14	0.28	(0.31)
Own source revenue coverage ratio	0.73	0.67	0.56

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	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Three of the ratios disclosed above were distorted by the early receipt of Financial Assistance Grants. In addition, two of the ratios were impacted by a reversal of loss on revaluation of fixed assets which is considered one-off in nature.

	2017/18	2016/17	2015/16
	\$	\$	\$
Amount of Financial Assistance Grant received during the year relating to the subsequent year.	529,211	504,479	0
Amount of Financial Assistance Grant received in prior year relating to current year.	504,479	0	481,793

If the events detailed above did not occur, the impacted ratios in the 2018, 2017 and 2016 columns above would be as follows:

	2018	2017	2016
Current ratio	6.37	5.97	4.71
Debt service cover ratio	23.96	11.32	8.68
Operating surplus ratio	0.08	0.08	(0.10)
Own source revenue coverage ratio	0.67	0.67	0.56



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Council 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 2018, 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 2018 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 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 financial report, which describes the basis of accounting. The 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 (Regulations), 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 a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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 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 financial report, including the disclosures, and whether the 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 report of the Shire for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report. The financial ratios for 2017 and 2016 in Note 30 of the audited financial report were included in the supplementary information and/or audited financial report for those years.

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 2018 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 financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the 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 financial report to confirm the information contained in this website version of the financial report.



SANDRA LABUSCHAGNE
ACTING DEPUTY AUDITOR GENERAL
Delegate of the Auditor General for Western Australia
Perth, Western Australia

// December 2018