



Shire of Kent – Annual Report 2015/2016

Shire of Kent



Annual Report 2015/16



Shire of Kent – Annual Report 2015/2016

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Shire of Kent – Annual Report 2015/2016

1. INTRODUCTION

The Shire of Kent is pleased to present the Annual Report for the 2015/2016 financial year.

This report will provide an overview of the Shire's financial position, achievements attained and an indication of some future directions of Council.

The Annual Report is designed to encourage an understanding of Council's aims, objectives and activities to provide a better environment for residents to live and work in.

2. AUTHORITY AND LEGISLATION

The Shire of Kent is a statutory organisation responsible to the Minister for Local Government, The Hon Paul Miles MLA. The Shire of Kent operates under the provision of the Local Government Act 1995 (as amended).

SHIRE OFFICE LOCATIONS

Administration Centre:	Richmond Street, Nyabing
Postal Address:	PO Box 15, NYABING WA 6341
Telephone:	(08) 98291051
Facsimile:	(08) 98291083
Email:	admin@kent.wa.gov.au
Office Hours:	8.30am to 4.30pm, Monday to Friday

Pingrup Library:	Sanderson Street, Pingrup (Pingrup CRC)
Nyabing Library:	Administration Centre, Nyabing

SHIRE STATISTICS

Area	6552sq km
Position	320km SE of Perth
Population	540
Length of Roads	224km sealed 1206km gravel
Rateable Assessments	486
Average Rainfall	375mm
Average Max Temp	23(C)
Average Min Temp	9(C)

(The above agricultural statistics are supplied by the Australian Bureau of Statistics)

SUBURBS AND LOCALITIES

Pingrup; Nyabing

SIGNIFICANT LOCAL EVENTS

Pingrup Races – March each year

FULL COUNCIL MEETING

Meets third Wednesday of each month except for January

TOURIST ATTRACTIONS

Nampup Soak; Hollands Track; Pink Lakes; Holland Rocks; Lake Bryde; Wildflowers

LOCAL INDUSTRIES

Wheat; other grains; sheep; associated support businesses.



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3. SHIRE PRESIDENTS REPORT

It is with pleasure that I report on the activities of the Shire of Kent for the period 1 July 2015 to 30 June 2016. The Council finished the year with a surplus of \$1,237,853. The result is a healthy one and sees the continuation of prudent financial management of the Council's resources. The Shire of Kent continues to be in a strong financial position while maintaining a reasonable suite of services commensurate with our remote location.

Council has continued to endeavour to maintain a vibrant rural community and pursue the objectives of the Community Strategic Plan.

This year has seen further works at the Pingrup Caravan Park, at Burston Street Park and Memorial Park and these projects are funded from Royalties for Regions Program (R 4 R) with the final touches hopefully funded through Lotterywest funding. The Waste Transfer Station in Nyabing has been completed, a number of road projects including the South Fence Road re-sheeting, the Kukerin Road upgrade/stabilisation, Newdegate/Pingrup Road Black Spot projects and the continuation of works on North Needilup Road.

Two new Well Aged Accommodation units were built in Nyabing through Action Agenda Funding (R 4 R) to provide housing for over 55's transitioning into retirement, with the possibility of future funding for a further unit to be built in Pingrup. Two more multi-purpose units are planned as well as further staff housing.

The ongoing nature of the NRM Officer will be contingent on future funding availability as Wheatbelt NRM has advised that their contributions will cease and staff are currently seeking other funding opportunities to maintain this position. The Community Emergency Services Officer is 90% funded from external sources and this will continue for the next two years.

Council over the coming year will be reviewing the Community Strategic Plan and I encourage members of the community to participate in this process. There will be a community survey, workshops and a public comment period for community members to provide direction for the Council for the next 10 years. What the Council does in coming years is driven through this process so please make your thoughts known by making a submission.

Our CEO and staff continue to look for opportunities to enhance services and access funds to help maintain and improve services to our communities and to enhance the sustainability of an independent Shire of Kent. Council is currently investigating funding opportunities for the redevelopment of the Pingrup Pavilion and further employee and community housing. A number of applications have been put forward in these areas.

I have found my first year as Shire president interesting and rewarding as it has given me the opportunity to observe and compare our performance with other like Councils, to meet and discuss many industry wide issues with other neighbouring Councillors and Shire Presidents and to work closely with our staff on many ongoing matters that they and the Council must deal with in these challenging times. I would like to take this opportunity to thank Peter, all staff members and Councillors for their dedication and help throughout the year. Also my thanks go to Cr Renae Jury for her support as Deputy Shire President.

CR MEGAN TUFFLEY
SHIRE PRESIDENT



Shire of Kent – Annual Report 2015/2016

4. CHIEF EXECUTIVE OFFICERS REPORT

It is with great pleasure that I present my report for the 2015/2016 financial year, a year that continued to focus on future planning and provided many challenges for our small workforce.

Integrated Planning

After engaging with the community and consulting with our stakeholders to develop our Community Strategic Plan and Workforce Plan, both Plans were adopted in June 2013. Other informing documents, an Asset Management Plan, Long Term Financial Plan and Corporate Plan are nearing completion. The Asset Management Plan will provide the underpinning and overarching plan that captures all the assets and resources in the Shire. It will document the resources required to enable the Shire to meet its community commitments and provide information regarding the capability of all our assets

The Workforce Plan has been reviewed and provides an insight into future staffing and training requirements. The Long Term Financial Plan is also nearing completion and will enable completion of the Corporate Business Plan. The underpinning thrust of the framework is about planning and Council has a significant number of plans that are now legislatively mandated.

Financial Performance

The Shire of Kent continued to maintain a strong financial position throughout the 2015-2016 financial year. Some of the highlights are as follows:

- The year finished with \$1,811,834 in cash backed reserves. These cash backed reserves are set aside for specific future purposes and there are restrictions on how the funds can be spent. Council budgets on an annual basis to place funds in these reserves to assist in meeting the future needs of the community. Notably all of Councils employee leave liabilities are now cash backed.

Financial Ratios

As part of the annual financial reporting process a local government is required to report on a number of financial ratios which provide a “snapshot” of the local government’s financial strength. This year saw the introduction of new ratios and In this regard the Shire of Kent has the following outcomes for the 2015-16 year:-

- **Current ratio** – (indicates the Shire’s ability to meet short term debt obligations) Council’s ratio is 3.91 where the standard is met if the ratio is greater than 1.0. We finished in a very strong position financial position.
- **Asset Sustainability Ratio** – (indicates that the Shire is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out) Council’s ratio is 1.82 where the standard is met if the ratio is greater than 0.9. Again Council finished in a very strong position.
- **Debt ratio** – (indicates the Shire’s ability to repay its debt including lease payments). Our ratio is 9.83 where a basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5. The Debt Service Ratio is considerably lower than the 2015-16 financial year due to a major decrease in general and road grants and also Royalties for Regions funding.
- **Operating Surplus Ratio** – (indicates the Shire’s ability to cover its operational costs and have revenues available for capital funding or other purposes). Our ratio is (0.07) where a basic standard is met if the ratio is between 0.01 and 0.15. Council does not meet the basic standard because of the recognition of federal grant funding in 2015 that related to the 2016 financial year. Council would have achieved the standard had that funding been recognised in the year it related to at 0.15.



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4. CHIEF EXECUTIVE OFFICERS REPORT (cont.)

- **Own Source Revenue Coverage Ratio** – (indicates the Shire’s ability to cover its costs through its own revenue effort). This year the ratio is 0.62 where the standard is met if the ratio is between 0.4 and 0.6. Council meets the basic standard.
- **Asset Consumption Ratio** – (measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost). Council’s ratio is 1.0 where the standard is met if the ratio is 0.5 or greater. Council meets the basic standard with this ratio.
- **Asset Renewal Funding Ratio** – (measures the ability of the Shire to fund its projected asset renewal/replacements in the future). This year the Council is unable to provide this ratio due to the information not being available. The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.

Projects

Road Projects

The 2015-2016 budget was adopted by Council on 28 July 2015 and included an overall rate increase of 4.0%. With the assistance of funding through Roads to Recovery and the Regional Road Group program Council completed the following major road projects:-

- North Needilup Road – *(Gravel Re-sheet)*
- Kukerin Road – *(widen and reseal)*
- South Fence Road – *(Gravel Re-sheet)*
- Newdegate-Pingrup Road – *(various Black Spot projects)*
- Warren – *(Gravel Re-sheet)*
- Manual Road – *(Gravel Re-sheet)*
- Bin Road – *(Stabilisation)*
- Kuringup Road – *(Gravel Re-sheet)*
- Peterson Road – *(Gravel Re-sheet)*
- Kukerin Road – *(Stabilisation)*
- North Kuringup Road – *(Gravel Re-sheet)*

Royalties for Regions – Country Local Government Fund

Memorial Park and Burston Street Park

These projects are nearing completion with carry over Royalties For Regions Funding and with the assistance of Lotterywest funding.

Regional Component

Council has invested its regional component into the Regional Waste project along with the Shires of Jerramungup, Gnowangerup, Ravensthorpe and Katanning. The project will deliver two regional waste sites to Ravensthorpe and Katanning. The reason for investing heavily in this project is that the Nyabing waste site is nearing the end of its viable life and the Department of Environment and Conservation has refused all alternative sites within the Shire. This means that an external site, in this case Katanning, has been an imperative.

The construction of a Waste Transfer Station in Nyabing has been completed in preparation for the change to Regional Waste Model.



4. CHIEF EXECUTIVE OFFICERS REPORT (cont.)

Other Projects

Coates Close Subdivision

The land at Coates Close has been vested in the Shire of Kent for residential purposes and the Council is now moving to freehold these lots for housing. One lot is earmarked as a future senior staff house, and another for well-aged or multi-use accommodation.

Well Aged Accommodation Units

Two well-aged housing units were completed early in the year in Nyabing and were funded entirely from Royalties for Regions at over \$800,000. These units provide housing for well-aged persons transitioning into retirement and wishing to remain within the community. In time the purpose of these housing units will become multi-purpose.

Bushfire Brigades

During 2014/15 the Shire of Kent employed a Community Emergency Services Manager (CESM) in an agreement with the Department of Fire and Emergency Services (DFES). This position is in partnership with the Shires of Dumbleyung and Lake Grace and is designed to support local brigades through facilitating the mitigation of fire and other hazards impact on the community, implementing the delivery of fire preparedness and providing leadership and expert technical and professional advice to emergency volunteer groups. The position will also assist Council to better plan and respond to a range of possible emergency situations through the development and review of fire and emergency planning.

Pingrup Pavilion

Preliminary plans have been compiled for an upgrade to the Pingrup Pavilion. This will include extensions to the changerooms, extensions to the function area and Kitchen and the renovation to the kitchen with the provision of a coolroom and extended bar area. Council has sought funding of \$150,000 from the GSDC and an application for \$80,000 will be made to the CSRFF program as well. Along with Councils already budgeted contribution and contributions from community bodies this project should be fully funded early into the 2017/18 financial year.

Other

Over the past twelve months the Council has continued to work hard to ensure that the Shire continues to deliver the best services that it can and to be in a good position to meet the demands placed on it should the State Government continue the reform process in the future and once again propose amalgamations across Local Government. Overall given the environment of constant change that we find ourselves in, the Shire of Kent can confidently claim to have achieved another successful year. The ever increasing compliance requirements, planning documents and changes in working frameworks that come from many Government Departments has seen staff numbers increase slightly over the last 6 years and this is driven by risk management, requirements to benchmark, a “one size fits all mentality” in State Government, greater requirement for long term, complex planning documents and the push for greater accountability and transparency of the industry as a whole.

In conclusion I would like to thank the President and Councillors for their support during the year and the staff for their ongoing support, loyalty and dedication to their roles. Thank you all.

PETER BENTLEY
CHIEF EXECUTIVE OFFICER



Shire of Kent – Annual Report 2015/2016

5. SHIRE OF KENT COUNCIL MEMBERS - 2015/2016

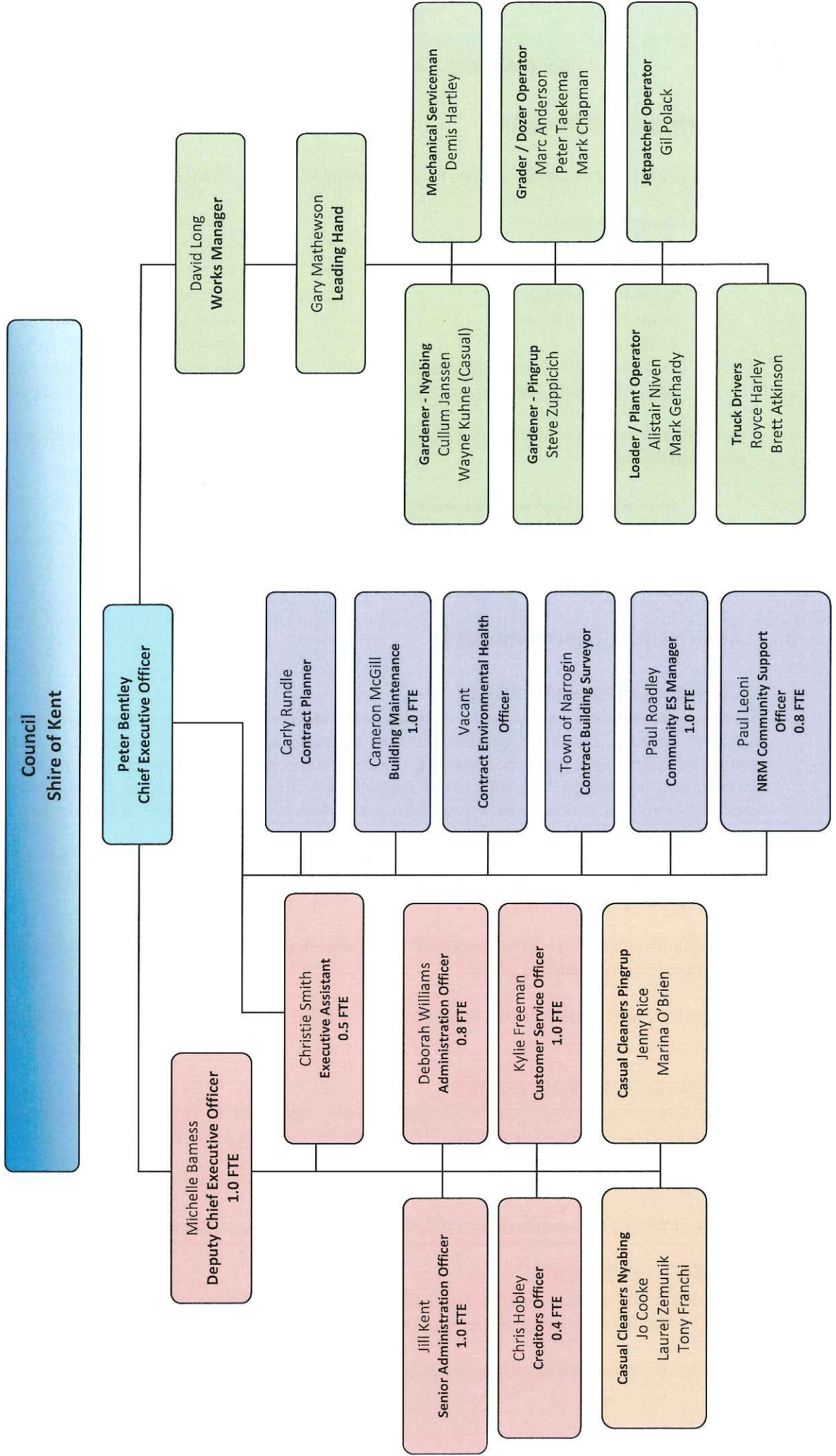


Back Row – Cr Alan Smith), Cr Mark Stephens, Cr Grant Collins, Cr Scott Crosby, Cr Gordon Browne
 Front Row – Cr Renae Jury (Deputy Shire President), Cr Megan Tuffley (Shire President), Cr Tim Borgward

<i>COUNCILLORS</i>	<i>PHONE</i>	<i>FAX</i>
MJ (Megan) Tuffley	9829 1076	9829 1076
RA (Renae) Jury	9820 1080	9820 1007
A (Alan) Smith	9820 1046	9820 1003
G (Grant) Collins	9829 6016	9829 6029
GD (Gordon) Browne	9829 1014	9829 1141
M (Mark) Stephens	0427 557 107	
S (Scott) Crosby	0427 291 115	
T (Tim) Borgward	0429 082 915	



6. ORGANISATIONAL STRUCTURE





Shire of Kent – Annual Report 2015/2016

7. COUNCIL DOCUMENTS

There are various documents available for inspection by members of the public. These include:

- Council Agendas
- Annual Budgets
- Annual Financial Statements
- Forward Planning Budget
- Town Planning Scheme
- Electoral Roll
- Customer Service Charter(Sewerage)
- Code of Conduct – Members and Staff
- Council Minutes
- Policy Manual
- Local Laws
- Delegations Register
- Rates Assessment Book
- Community Strategic Plan
- Sewerage Asset Management Plan
- Freedom of Information Statement

In addition to the above documents, Council provides information through the following outlets as a service to the public:

- Shire Notes – Nyabing News and Pingrup Post
- Community Telephone and Information Directory
- Bushfire Information Booklet
- Leaflet Drops to Ratepayers

8. ADDITIONAL INFORMATION

NATIONAL COMPETITION POLICY

This policy has been introduced by the Commonwealth Government so as to promote competition for the benefit of business, consumers and the economy by removing unnecessary protection of monopolies of markets where competition can be enhanced. It affects local governments as factors such as exemption from company and income tax or possible local regulations and laws may give local government a potential advantage over private contractors. In respect to competitive neutrality, the Shire of Kent reports:

- ❖ The Shire of Kent during 2015-2016 did not engage in any significant business activities which generated in excess of \$200,000 annual income. Therefore, the introduction of competitive neutrality under Clause 7 of the policy was not required.
- ❖ There is no indication that the Council will become involved in any significant business activities during the next financial reporting period.
- ❖ There have been no allegations received by the Council of non-compliance with the neutrality principles.

DISCLOSURE OF ANNUAL SALARY

The Local Government (Administration) Regulations 1996 – Regulation 19B requires that the annual report for a Local Government for a financial year is to contain the following information:

- ❖ The number of employees of the local government entitled to an annual salary of \$100,000 or more.

The Shire of Kent has one employee entitled to an annual salary of \$100,000 or more.

SECTION 5.121 REPORT

Section 5.121 of the Local Government Act 1995 requires Annual Reports to contain details of entries made in the Complaints Register regarding complaints made about elected members.

There were no complaints lodged against elected members in the year under review.



8. ADDITIONAL INFORMATION (cont.)

ADOPTION OF LOCAL LAWS

The Shire of Kent did not adopt any local laws during the reporting period.

SHIRE OF KENT – COMMUNITY STRATEGIC PLAN

Following a public consultation process the Council adopted the “Shire of Kent Community Strategic Plan 2013-2023” document in June 2013.

This document has five main strategic objectives:-

- ❖ Building a sense of community;
- ❖ Preserving and sustaining our natural environment;
- ❖ Enhanced lifestyle choices; and
- ❖ Maximise business and employment opportunities; and
- ❖ Strengthen shire leadership.

The document is available for public viewing at the Nyabing office. A Workforce Plan was also adopted at the June 2013 meeting by the Council and this too will be an important part of the future planning process.

State Government initiated changes to legislation has seen the development of this plan which will replace the 2010 – 2014 Shire of Kent Strategic Plan and a Corporate Business Plan, Asset Management Plan, and a Long Term Financial Plan are in development.

These plans have been and will be developed with community consultation and input and represent the community aspirations for the district. It is a requirement that these new plans are reported against each year in the Annual Report.

FREEDOM OF INFORMATION

The Shire of Kent welcomes any enquiries for information held by Council. If information cannot be accessed by less formal means, a freedom of information request can be made by contacting the Chief Executive Officer. It should be noted that some documents are for viewing only and documents cannot be copied which would breach the Copyright Act. No enquiries were received during the 2015-2016 period however and no formal application for information was received. Council’s Information Statement is reviewed annually and a copy made available at its Nyabing office for perusal, as required under the Freedom of Information Act 1992.

STATE RECORDS ACT 2000

State Records Commission Standard 2 (Record Keeping Plan) Principle 6 (Compliance) states that government organisations, including local government, should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities under their Record Keeping Plan. Council is required to report its progress with complying with this Principle in its Annual Report.

Staff development in the area of Record Keeping compliance has continued through the year, with new staff members receiving a basic introduction to Records as part of their induction into the organisation. This training provides an overview of the responsibilities of individual officers, and Council’s obligations under the State Records Act 2000. Elected members received information on what constitutes a record from a Councillor perspective, and their responsibility to ensure relevant information is captured into Council’s record system.



8. ADDITIONAL INFORMATION (cont.)

STATE RECORDS ACT 2000 (cont.)

Section 28 of the State Records Act 2000 (the Act) requires that “no more than 5 years is to elapse between the approval of a government organization’s record keeping plan and a review of it or between one review and another” and that a report of this review must be submitted to the State Records Commission. The purpose of the review is to enable government organizations to comply with section 28 of the Act and to ensure that their recordkeeping systems are continually evaluated and improved in order to meet compliance requirements and continuing business needs. The organization’s existing approved Recordkeeping Plan (RKP) is to be revisited to establish three main objectives, namely whether recordkeeping practices within the organization are still meeting the organization’s business and legislative requirements, or have changed since the RKP was approved, or require improvement or need to be documented differently. The 2014-2015 completed review shows that the Shire of Kent’s Recordkeeping Plan is compliant in all areas

DISABILITY SERVICES PLAN

Section 29(m) of the *Disability Services Act 1993* requires the Shire to report on the following seven outcomes in its approach to assisting disabled people within the Shire:

1. People with disabilities have the same opportunities as other people to access the services of, and any events organised by, the relevant public authority.

Council-organised community events are held in appropriate venues with facilities which allow for ease of access by people with a disability. Whilst no new initiatives were undertaken during 2015 -2016, maintenance of the parks and recreation buildings and grounds in Nyabing and Pingrup ensures facilities continue to be easily accessible to all residents and visitors, both disabled and non-disabled persons. The Shire Library services cater for those with a disability through the provision of large print and audio books.

2. People with disabilities have the same opportunities as other people to access the buildings and other facilities of the relevant public authority.

Council is committed to ensuring all Council buildings are able to be accessed by people with a disability.

3. People with disabilities receive information from the relevant public authority in a format that will enable them to access the information, as readily as other people are able to access it.

All Council publications are available in a variety of formats on request for people with specific needs. This information is conveyed through local newsletters and within each individual document.

4. People with disabilities receive the same level and quality of service from the staff of the relevant public authority.

Council maintains a commitment to providing a high standard of service to all customers of the Shire through all avenues of contact including in-person, over the telephone and through written correspondence. All staff are aware that customers have individual needs, including people with disabilities.

5. People with disabilities have the same opportunities as other people to make complaints to the relevant public authority.

A complaints mechanism has been implemented through the Shire Administration and is accessible for all members of the community including people with disabilities.



8. ADDITIONAL INFORMATION (cont.)

DISABILITY SERVICES PLAN (cont.)

6. People with disabilities have the same opportunities as other people to participate in any public consultation by the relevant public authority.

Council has used the local newsletter and public advertising to advise residents of issues requiring public consultation. Staff have been available to assist residents with individual requirements as needed.

7. People with disabilities have the same opportunities as other people to obtain and maintain meaningful employment with the Shire of Kent.

Council promotes a workplace that actively seeks to include, welcome and value contributions of people with disabilities and ensures that job advertisements are in an accessible format to apply for positions.

BUILDING MAINTENANCE AND CAPITAL IMPROVEMENT REPORT

A significant amount of building maintenance and capital improvements was undertaken during the 2015-16 year to Council residential and public buildings. Some of the major projects are outlined below:

- 26 (Lot 101) Aspendale St** - Upgrade floor coverings
- 28 (Lot 102) Aspendale St** - Laundry renovations, refurbish windows/flyscreens
- 13 (Lot 20) Aspendale St** - Bathroom, laundry and toilet renovations
- 5 George St** - Kitchen renovations
- 2/5 Gaby St** - Internal painting
- Administration Building** - Bar area refurbishment, external painting
- Nyabing Town Hall** - Install dual flush toilets
- Nyabing Pavilion** - Upgrade electrical switchboard – Men's Changerooms
- Nyabing Depot** - Re-locate APB building for Gardener office, erect light vehicle shed
- Pingrup Caravan Park** - Upgrade Men's Ablution block
- Settler's Hall** - Replace doors
- Nyabing General Store** - Repaint shop front

Inspections of buildings and required safety checks, including the servicing of fire related equipment, were conducted throughout all Shire buildings. General maintenance was attended to in all buildings as required.

COMMUNITY SERVICES UPDATE

This year has again been a busy one, with a number of projects completed, and many more in progress. Funding has been sourced from a variety of agencies to enable projects and community programs to be implemented, and Council is appreciative of the support shown by these agencies.

SHIRE OF KENT
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

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Principal place of business:
24-26 Richmond Street, NYABING WA 6341

**SHIRE OF KENT
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

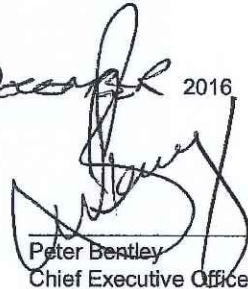
**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire being the annual financial report and other information for the financial year ended 30 June 2016 are in my opinion properly drawn up to present fairly the financial position of the Shire at 30th June 2016 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the *12*

day of *December* 2016



Peter Bentley
Chief Executive Officer

SHIRE OF KENT
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue				
Rates	23	2,102,549	2,078,560	2,018,824
Operating grants, subsidies and contributions	30	1,449,898	1,034,854	2,949,765
Fees and charges	29	557,859	657,050	593,488
Interest earnings	2(a)	103,231	91,731	69,024
Other revenue	2(a)	87,362	39,950	36,686
		<u>4,300,899</u>	<u>3,902,145</u>	<u>5,667,787</u>
Expenses				
Employee costs		(1,782,558)	(1,747,615)	(1,448,139)
Materials and contracts		(874,070)	(931,448)	(1,001,244)
Utility charges		(128,394)	(132,618)	(130,137)
Depreciation on non-current assets	2(a)	(1,224,567)	(1,444,550)	(1,197,825)
Interest expenses	2(a)	(35,473)	(36,425)	(34,769)
Insurance expenses		(139,955)	(136,212)	(146,990)
Other expenditure		(337,824)	(477,281)	(385,109)
		<u>(4,522,841)</u>	<u>(4,906,149)</u>	<u>(4,344,213)</u>
		(221,942)	(1,004,004)	1,323,574
Non-operating grants, subsidies and contributions	30	1,443,393	1,089,969	478,899
Profit on asset disposals	21	22,352	68,500	0
(Loss) on asset disposals	21	(4,562)	(29,440)	(52,966)
Fair value adjustments to financial assets at				
Net result		<u>1,239,241</u>	<u>125,025</u>	<u>1,749,507</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(1,388)	777,460	202,075,708
Total other comprehensive income		<u>(1,388)</u>	<u>777,460</u>	<u>202,075,708</u>
Total comprehensive income		<u>1,237,853</u>	<u>902,485</u>	<u>203,825,215</u>

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

SHIRE OF KENT
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2016

	NOTE	2016 \$	2016 Budget \$	2015 \$
Revenue	2(a)			
Governance		12,690	15,000	26,315
General purpose funding		2,830,545	2,843,245	3,959,517
Law, order, public safety		157,813	185,400	82,408
Health		0	250	98,976
Education and welfare		0	500	0
Housing		243,179	92,000	740,125
Community amenities		244,024	121,000	124,927
Recreation and culture		48,967	2,450	29,079
Transport		571,225	634,900	427,745
Economic services		49,878	30,400	31,643
Other property and services		142,578	121,500	147,055
		<u>4,300,899</u>	<u>4,046,645</u>	<u>5,667,790</u>
Expenses	2(a)			
Governance		(406,472)	(532,357)	(393,287)
General purpose funding		(80,082)	(161,697)	(80,712)
Law, order, public safety		(178,684)	(210,663)	(111,907)
Health		(6,791)	(18,039)	(11,843)
Education and welfare		(13,803)	(15,339)	(10,676)
Housing		(115,450)	(412,349)	(361,948)
Community amenities		(321,388)	(251,809)	(215,740)
Recreation and culture		(607,984)	(694,880)	(598,260)
Transport		(2,399,258)	(2,316,259)	(2,046,496)
Economic services		(206,691)	(240,548)	(312,009)
Other property and services		(150,765)	(163,825)	(166,569)
		<u>(4,487,368)</u>	<u>(5,017,765)</u>	<u>(4,309,447)</u>
Finance costs	2(a)			
Housing		(26,887)	(28,390)	0
Community amenities		(2,254)	(2,308)	(2,427)
Economic services		(4,231)	0	0
Other property and services		(2,101)	(2,186)	(32,342)
		<u>(35,473)</u>	<u>(32,884)</u>	<u>(34,769)</u>
		<u>(221,942)</u>	<u>(1,004,004)</u>	<u>1,323,574</u>
Non-operating grants, subsidies and contributions	30	1,443,393	1,089,969	478,899
Profit on disposal of assets	21	22,352	68,500	0
(Loss) on disposal of assets	21	(4,562)	(29,440)	(52,966)
Fair value adjustments to financial assets at				
Net result		<u>1,239,241</u>	<u>125,025</u>	<u>1,749,507</u>
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes on revaluation of non-current assets	13	(1,388)	777,460	202,075,708
Total other comprehensive income		<u>(1,388)</u>	<u>777,460</u>	<u>202,075,708</u>
Total comprehensive income		<u>1,237,853</u>	<u>902,485</u>	<u>203,825,215</u>

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

**SHIRE OF KENT
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	NOTE	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,659,490	2,570,177
Trade and other receivables	4	228,292	167,257
Inventories	5	79,976	56,986
TOTAL CURRENT ASSETS		<u>2,967,758</u>	<u>2,794,420</u>
NON-CURRENT ASSETS			
Other receivables	4	7,844	6,851
Property, plant and equipment	6	11,991,728	11,415,215
Infrastructure	7	235,743,552	235,274,186
TOTAL NON-CURRENT ASSETS		<u>247,743,124</u>	<u>246,696,252</u>
TOTAL ASSETS		<u>250,710,882</u>	<u>249,490,672</u>
CURRENT LIABILITIES			
Trade and other payables	8	151,013	104,308
Current portion of long term borrowings	9	75,705	71,970
Provisions	10	272,572	282,916
TOTAL CURRENT LIABILITIES		<u>499,290</u>	<u>459,194</u>
NON-CURRENT LIABILITIES			
Long term borrowings	9	506,049	581,755
Provisions	10	29,637	11,668
TOTAL NON-CURRENT LIABILITIES		<u>535,686</u>	<u>593,423</u>
TOTAL LIABILITIES		<u>1,034,976</u>	<u>1,052,617</u>
NET ASSETS		<u>249,675,904</u>	<u>248,438,055</u>
EQUITY			
Retained surplus		28,256,358	27,188,113
Reserves - cash backed	12	1,811,834	1,640,842
Revaluation surplus	13	219,607,713	219,609,101
TOTAL EQUITY		<u>249,675,904</u>	<u>248,438,056</u>

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

**SHIRE OF KENT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2014		25,784,085	1,295,363	17,533,393	44,612,836
Comprehensive Income					
Net result		1,749,507	0	0	1,749,507
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>202,075,708</u>	<u>202,075,708</u>
Total comprehensive income		1,749,507	0	202,075,708	203,825,215
Transfers from/(to) reserves		(345,479)	345,479	0	0
Balance as at 30 June 2015		27,188,113	1,640,842	219,609,101	248,438,051
Comprehensive income					
Net result		1,239,241	0	0	1,239,241
Changes on revaluation of assets	13	<u>0</u>	<u>0</u>	<u>(1,388)</u>	<u>(1,388)</u>
Total comprehensive income		1,239,241	0	(1,388)	1,237,853
Transfers from/(to) reserves		(170,991)	170,991	0	0
Balance as at 30 June 2016		<u>28,256,358</u>	<u>1,811,834</u>	<u>219,607,713</u>	<u>249,675,904</u>

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

**SHIRE OF KENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016**

	NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,128,938	2,128,560	1,971,906
Operating grants, subsidies and contributions		1,372,013	1,020,089	2,946,688
Fees and charges		557,859	657,050	593,488
Interest earnings		103,231	91,731	69,024
Goods and services tax		(10,532)	40,138	(25,874)
Other revenue		87,362	39,950	36,686
		<u>4,238,871</u>	<u>3,977,518</u>	<u>5,591,918</u>
Payments				
Employee costs		(1,799,147)	(1,704,667)	(1,374,942)
Materials and contracts		(825,590)	(743,448)	(1,010,972)
Utility charges		(128,394)	(132,618)	(130,137)
Interest expenses		(36,024)	(36,425)	(35,714)
Insurance expenses		(139,955)	(136,212)	(146,990)
Other expenditure		(337,824)	(477,281)	(385,109)
		<u>(3,266,934)</u>	<u>(3,230,651)</u>	<u>(3,083,864)</u>
Net cash provided by (used in) operating activities	14(b)	<u>971,937</u>	<u>746,867</u>	<u>2,508,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of Land held for resale		0	0	0
Payments for purchase of property, plant & equipment		(1,166,946)	(1,650,000)	(1,285,517)
Payments for construction of infrastructure		(1,262,127)	(1,961,667)	(1,318,019)
Advances to community groups		0	0	0
Non-operating grants, subsidies and contributions		1,443,393	1,089,969	478,899
Proceeds from sale of fixed assets		175,029	189,500	239,837
Net cash provided by (used in) investment activities		<u>(810,651)</u>	<u>(2,332,198)</u>	<u>(1,884,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of debentures		(71,970)	(74,226)	(42,623)
Grants for the Development of Assets		0	628,000	0
Proceeds from new debentures		0	160,000	140,000
Net cash provided by (used in) financing activities		<u>(71,970)</u>	<u>713,774</u>	<u>97,377</u>
Net increase (decrease) in cash held		89,316	(871,557)	720,631
Cash at beginning of year		2,570,177	2,661,746	1,849,546
Cash and cash equivalents at the end of the year	14(a)	<u><u>2,659,493</u></u>	<u><u>1,790,189</u></u>	<u><u>2,570,177</u></u>

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

**SHIRE OF KENT
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2016**

NOTE	2016 Actual \$	2016 Budget \$	2015 Actual \$
Net current assets at start of financial year - surplus/(deficit)	766,354	1,136,758	392,101
	<u>766,354</u>	<u>1,136,758</u>	<u>392,101</u>
Revenue from operating activities (excluding rates)			
Governance	12,690	15,000	26,314
General purpose funding	727,996	764,685	2,298,183
Law, order, public safety	157,813	185,400	82,408
Health	0	250	98,976
Education and welfare	0	500	0
Housing	243,179	92,000	740,125
Community amenities	244,024	121,000	124,927
Recreation and culture	48,967	2,450	29,079
Transport	591,146	703,400	549,155
Economic services	49,878	30,400	31,643
Other property and services	145,009	121,500	147,055
	<u>2,220,702</u>	<u>2,036,585</u>	<u>4,127,865</u>
Expenditure from operating activities			
Governance	(407,959)	(532,357)	(393,287)
General purpose funding	(80,082)	(161,697)	(80,712)
Law, order, public safety	(178,684)	(210,663)	(111,907)
Health	(6,791)	(18,039)	(11,843)
Education and welfare	(13,803)	(15,339)	(10,676)
Housing	(142,337)	(440,739)	(368,223)
Community amenities	(323,642)	(254,117)	(218,167)
Recreation and culture	(607,984)	(694,878)	(598,260)
Transport	(2,402,336)	(2,345,699)	(2,093,184)
Economic services	(210,922)	(240,548)	(312,009)
Other property and services	(152,866)	(166,011)	(198,911)
	<u>(4,527,406)</u>	<u>(5,080,087)</u>	<u>(4,397,179)</u>
Operating activities excluded from budget			
(Profit) on disposal of assets	21	(22,352)	68,500
Loss on disposal of assets	21	4,562	(29,440)
Movement in deferred pensioner rates (non-current)		(993)	0
Movement in employee benefit provisions (non-current)		17,969	0
Depreciation and amortisation on assets	2(a)	1,224,567	1,444,550
Amount attributable to operating activities		<u>(316,597)</u>	<u>(423,134)</u>
		<u>(423,134)</u>	<u>1,359,332</u>
INVESTING ACTIVITIES			
Non-operating grants, subsidies and contributions		1,443,393	1,089,969
Proceeds from disposal of assets	21	175,029	189,500
Purchase of land held for resale		0	0
Purchase of property, plant and equipment	6(b)	(1,166,946)	(1,650,000)
Purchase and construction of infrastructure	7(b)	(1,262,127)	(1,961,667)
Amount attributable to investing activities		<u>(810,651)</u>	<u>(2,332,198)</u>
		<u>(810,651)</u>	<u>(2,363,699)</u>
FINANCING ACTIVITIES			
Repayment of debentures	22(a)	(71,970)	(74,226)
Proceeds from new debentures	22(a)	0	160,000
Proceeds from self supporting loans		0	628,000
Transfers to reserves (restricted assets)	12	(370,991)	(342,002)
Transfers from reserves (restricted assets)	12	200,000	305,000
Amount attributable to financing activities		<u>(242,961)</u>	<u>676,772</u>
		<u>(242,961)</u>	<u>(248,102)</u>
Surplus(deficiency) before general rates		<u>(1,370,209)</u>	<u>(2,078,560)</u>
Total amount raised from general rates	23	<u>2,102,549</u>	<u>2,078,560</u>
Net current assets at June 30 c/fwd - surplus/(deficit)	24	<u><u>732,340</u></u>	<u><u>0</u></u>
		<u><u>732,340</u></u>	<u><u>766,354</u></u>

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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

Critical accounting estimates

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

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

The local government reporting entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 20 to these financial statements.

(b) 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.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) 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.

(e) Inventories

General

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

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

Land held for sale

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

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

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

(f) Fixed Assets

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

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire commenced the process of adopting Fair Value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at Fair Value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire revalues its asset classes in accordance with this mandatory timetable.

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Land under control

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

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

Initial recognition and measurement between mandatory revaluation dates

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

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

Revaluation

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

Land under roads

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

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

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

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

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

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation

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

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

- a) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Buildings	30 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
Formed roads (unsealed) formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

Capitalisation threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

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

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

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

Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities (Continued)

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued in accordance with the regulatory framework.

(h) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and subsequent measurement (continued)

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

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

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

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

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

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

(l) 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.

(m) 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.

(n) Leases

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

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

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

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

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investment in Associates

An associate is an entity over which the Shire has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

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

When the Shire's share of losses in an associate equals or exceeds its interest in the associate, the Shire discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(p) Interests in Joint Arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 17.

(q) Rates, Grants, Donations and Other Contributions

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

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

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

(r) Superannuation

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

(u) Comparative Figures

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

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

(v) Budget Comparative Figures

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 2017	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. The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.
(iii) AASB 16 Leases	February 2016	1 January 2019	Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted. 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.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iv) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	August 2014	1 January 2016	<p>This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.</p>
(v) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]	August 2014	1 January 2016	<p>This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.</p>
(vi) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	December 2014	1 January 2017	<p>Consequential changes to various Standards arising from the issuance of AASB 15.</p> <p>It will require changes to reflect the impact of AASB 15.</p>

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(vii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.</p> <p>It is not anticipated it will have any significant impact on disclosures as they currently exist and any changes will relate to presentation.</p>
(viii) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	<p>The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities.</p> <p>The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.</p>

Notes:

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

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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.

These new and revised standards were as follows:

- (i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality
- (ii) AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES	2016	2015	
	\$	\$	
(a) Net Result			
The Net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
- Audit of the Annual Financial Report	10,271	12,632	
-Other Services	11,000	1,000	
Depreciation			
Buildings - non-specialised	158,780	168,216	
Furniture and equipment	3,420	7,076	
Plant and equipment	261,574	253,205	
Infrastructure - roads	703,482	703,016	
Infrastructure - other	97,311	66,312	
	<u>1,224,567</u>	<u>1,197,825</u>	
Interest expenses (finance costs)			
Debentures (refer Note 22 (a))	35,473	34,769	
	<u>35,473</u>	<u>34,769</u>	
(ii) Crediting as revenue:			
Other revenue			
Other	87,362	36,686	
	<u>87,362</u>	<u>36,686</u>	
	<u>1,224,567</u>	<u>1,197,825</u>	
	2016	2016	2015
	Actual	Budget	Actual
	\$	\$	\$
Interest earnings			
- Reserve funds	46,992	59,081	41,771
- Other funds	38,963	25,000	18,763
Other interest revenue (refer note 28)	17,276	7,650	8,490
	<u>103,231</u>	<u>91,731</u>	<u>69,024</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

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

GOVERNANCE

Administration and operations 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

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency service and animal control.

HEALTH

Food quality and pest control, immunisation services, operation of child health clinic.

EDUCATION AND WELFARE

Operation of Pre-school facilities, assistance to playgroups and other voluntary services.

HOUSING

To provide and maintain staff housing and provision to the community if there is an overflow of housing that is surplus to council's requirements for staff.

COMMUNITY AMENITIES

Rubbish collection services, operation of refuse sites, administration of the town planning scheme, maintenance of cemeteries and townsite schemes.

RECREATION AND CULTURE

Maintenance of halls, recreation centres and various reserves; operation of library.

TRANSPORT

Construction and maintenance of streets, roads, cleaning and lighting of streets, depot maintenance.

ECONOMIC SERVICES

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

OTHER PROPERTY AND SERVICES

Private works operation, plant repair and operational costs.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
Grant/Contribution	Function/ Activity	Balance ⁽¹⁾ 1/07/14 \$	2014/15 \$	2014/15 \$	Balance ⁽¹⁾ 30/06/15 \$	2015/16 \$	2015/16 \$	Balance 30/06/16 \$
Royalties for Regions 65% NO	Governance	(348,617)	357,489	0	8,872			8,872
RLCIP Federal Grant	Governance	30,000	0	(30,000)	0			0
Zero Waste Project (Phase 2)	Community Amenities	27,522	0	0	27,522			27,522
Park Upgrade - Pingrup (RLCIP/2)	Rec & Culture	646	0	(646)	0			0
Park Upgrade - Nyabing (RLCIP/2)	Rec & Culture	3,719	0	(3,719)	0			0
Regional Road Group	Transport	(212,596)	19,200	0	(193,396)	52,000	(40,111)	(181,507)
Roads to Recovery	Transport	149,235	0	(149,235)	0	934,968	(725,167)	209,801
2011/12 Blackspot	Transport	(68,431)	102,210	0	33,779	105,000	(160,928)	(22,149)
Water Treatment Plant	Economic	0	127,273	(96,452)	30,821			30,821
DFES - Fire Truck	Law, Order Public Safety	0	0	0	0	351,425	(351,425)	0
					0			0
					0			0
					0			0
					0			0
					0			0
					0			0
Total		(418,522)	606,172	(280,052)	(92,402)	1,443,393	(1,277,631)	73,360

Notes:

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

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

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016 \$	2015 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		847,656	929,336
Restricted		<u>1,811,834</u>	<u>1,640,841</u>
		<u><u>2,659,490</u></u>	<u><u>2,570,177</u></u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave reserve	12	203,657	178,379
Plant reserve	12	428,026	387,012
Building reserve	12	258,286	251,139
Sewerage Reserve	12	196,710	142,650
Nyabing Recreation Reserve	12	24,098	17,597
Pingrup Recreation Reserve	12	80,824	31,631
Computer Equipment Reserve	12	1,693	1,646
Water Provision Reserve	12	28,634	28,037
Cemetery Reserve	12	17,837	17,344
Refuse Disposal Facility Reserve	12	96,426	93,758
Admin Vehicle Reserve	12	111,878	89,336
Road Reserve	12	353,478	392,313
Landcare Reserve	12	10,285	10,000
Unspent grants	2(c)	73,360	(92,402)
Unspent loans	22(c)	0	0
		<u><u>1,885,192</u></u>	<u><u>1,548,440</u></u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates outstanding		53,206	80,588
Sundry debtors		124,557	46,672
GST receivable		<u>50,529</u>	<u>39,997</u>
		<u><u>228,292</u></u>	<u><u>167,257</u></u>
Non-current			
Rates outstanding - pensioners		<u>7,844</u>	<u>6,851</u>
		<u><u>7,844</u></u>	<u><u>6,851</u></u>
5. INVENTORIES			
Current			
Fuel and materials		<u>79,976</u>	<u>56,986</u>
		<u><u>79,976</u></u>	<u><u>56,986</u></u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

	2016	2015
	\$	\$
6 (a). PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Land - freehold at:		
- Independent valuation 2014 - level 2	401,800	401,800
- Additions after valuation - cost	22,129	22,129
	<u>423,929</u>	<u>423,929</u>
Buildings - non-specialised at:		
- Independent valuation 2014	4,617,649	4,617,649
- Additions after valuation - cost	599,329	596,093
Less: accumulated depreciation	<u>(286,312)</u>	<u>(168,216)</u>
	4,930,666	5,045,526
Buildings - specialised at:		
- Independent valuation 2014	3,595,000	3,595,000
Less: accumulated depreciation	<u>0</u>	<u>0</u>
	3,595,000	3,595,000
	<u>8,525,666</u>	<u>8,640,526</u>
Total land and buildings	<u>8,949,595</u>	<u>9,064,455</u>
Furniture and equipment at:		
- Independent valuation 2016	19,949	5,000
- Additions after valuation - cost	0	16,262
Less accumulated depreciation	<u>(6,167)</u>	<u>(14,387)</u>
	13,782	6,875
Plant and equipment at:		
- Independent valuation 2016	2,676,926	2,039,800
- Additions after valuation - cost	351,425	711,002
Less accumulated depreciation	<u>0</u>	<u>(406,917)</u>
	3,028,351	2,343,885
	<u>11,991,728</u>	<u>11,415,215</u>

The fair value of property, plant and equipment is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) Transferred to Revaluation \$	Revaluation (Losses)/ Reversals Through to Profit or Loss \$	Impairment (Losses)/ Reversals \$	Depreciation (Expense) \$	Transfers \$	Carrying Amount at the End of Year \$
Land - freehold	423,929	0	0	0	0	0	0	0	423,929
Land - vested in and under the control of Council	0	0	0	0	0	0	0	0	0
Total land	<u>423,929</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>423,929</u>
Buildings - non-specialised	5,045,528	29,397	0	0	0	0	(158,780)	14,522	4,930,665
Buildings - specialised	3,595,000	0	0	0	0	0	0	0	3,595,000
Total buildings	<u>8,640,528</u>	<u>29,397</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(158,780)</u>	<u>14,522</u>	<u>8,525,665</u>
Total land and buildings	<u>9,064,455</u>	<u>29,397</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(158,780)</u>	<u>14,522</u>	<u>8,949,594</u>
Furniture and equipment	6,875	14,308	(1,487)	(9,673)	0	0	(3,420)	7,179	13,782
Plant and equipment	2,343,885	1,123,241	(155,752)	8,285	0	0	(261,574)	(29,734)	3,028,351
Total property, plant and equipment	<u>11,415,215</u>	<u>1,166,946</u>	<u>(157,239)</u>	<u>(1,388)</u>	<u>0</u>	<u>0</u>	<u>(423,774)</u>	<u>(8,033)</u>	<u>11,991,727</u>

**SHIRE OF KENT
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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Land - freehold	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuers	30-June-2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - non-specialised	2	Observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use.	Independent Valuers	30-June-2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	3	Current replacement cost utilising both observable and unobservable inputs being construction based on recent contract prices, current condition, residual values and remaining useful life.	Independent Valuers	30-June-2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment					
	3	Market Approach is determined by comparison to actual sales data for the same or similar assets	Independent Valuers	30-June-2016	Market data, sales data, vehicle guides, cost books and data supplied by the Shire of Kent.
Plant and equipment					
- Independent valuation 2016	2	Market Approach is determined by comparison to actual sales data for the same or similar assets	Independent Valuers	June 2016	Market data, sales data, vehicle guides, cost books and data supplied by the Shire of Kent.

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.

SHIRE OF KENT
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	2016	2015
	\$	\$
7 (a). INFRASTRUCTURE		
Infrastructure - roads		
- Independent valuation 2015	232,149,490	232,149,490
- Additions after valuation - cost	1,088,973	0
Less accumulated depreciation	<u>(704,551)</u>	<u>0</u>
	<u>232,533,912</u>	<u>232,149,490</u>
Infrastructure - other		
- Independent valuation 2015	3,124,696	3,124,696
- Additions after valuation - cost	347,473	139,619
Less accumulated depreciation	<u>(262,529)</u>	<u>(139,619)</u>
	<u>3,209,640</u>	<u>3,124,696</u>
	<u>235,743,552</u>	<u>235,274,186</u>

The fair value of infrastructure is determined at least every three years in accordance with the regulatory framework. Additions since the date of valuation are shown as cost. Given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and, where appropriate, the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (*Financial Management*) Regulation 17A (2) which requires infrastructure to be shown at fair value.

SHIRE OF KENT
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7. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	Balance as at the Beginning of the Year	Additions	(Disposals)	Revaluation Increments/ (Decrements) Transferred to Revaluation	Revaluation (Loss)/ Reversal Transferred to Profit or Loss	Impairment (Losses)/ Reversals	Depreciation (Expense)	Transfers	Carrying Amount at the End of the Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure - roads	232,149,490	1,088,973	0	0	0	0	(703,482)	(1,069)	232,533,912
Infrastructure - other	3,124,696	173,154	0	0	0	0	(97,311)	9,101	3,209,640
Total infrastructure	<u>235,274,186</u>	<u>1,262,127</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(800,793)</u>	<u>8,032</u>	<u>235,743,552</u>

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7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Infrastructure - roads	3	Cost approach using depreciated replacement cost.	Independent Valuers	30-June-2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - other	3	Cost approach using depreciated replacement cost.	Independent Valuers	30-June-2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

SHIRE OF KENT
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	2016	2015
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry creditors	71,966	16,109
Accrued interest on debentures	11,593	12,144
Accrued salaries and wages	6,970	45,100
ATO liabilities	36,559	22,643
Excess Rates	7,080	10,854
GST	16,845	(2,542)
	<u>151,013</u>	<u>104,308</u>

9. LONG-TERM BORROWINGS

Current		
Secured by floating charge		
Debentures	75,705	71,970
	<u>75,705</u>	<u>71,970</u>
Non-current		
Secured by floating charge		
Debentures	506,049	581,755
	<u>506,049</u>	<u>581,755</u>

Additional detail on borrowings is provided in Note 22.

10. PROVISIONS

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2015			
Current provisions	153,923	128,993	282,916
Non-current provisions	0	11,668	11,668
	<u>153,923</u>	<u>140,661</u>	<u>294,584</u>
Additional provision	21,647	(14,022)	7,625
Balance at 30 June 2016	<u>175,570</u>	<u>126,639</u>	<u>302,209</u>
Comprises			
Current	175,570	97,002	272,572
Non-current	0	29,637	29,637
	<u>175,570</u>	<u>126,639</u>	<u>302,209</u>

SHIRE OF KENT
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12. RESERVES - CASH BACKED

	Actual 2016 Opening Balance	Actual 2016 Transfer to	Actual 2016 Transfer (from)	Actual 2016 Closing Balance	Budget 2016 Opening Balance	Budget 2016 Transfer to	Budget 2016 Transfer (from)	Budget 2016 Closing Balance	Actual 2015 Opening Balance	Actual 2015 Transfer to	Actual 2015 Transfer (from)	Actual 2015 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave reserve	178,379	25,278	0	203,657	178,095	25,943	0	204,038	153,359	25,020	0	178,379
Plant reserve	387,012	191,015	(150,000)	428,027	386,476	196,994	(150,000)	433,470	289,566	98,446	0	387,012
Building reserve	251,139	7,148	0	258,287	245,876	7,376	0	253,252	141,507	109,632	0	251,139
Sewerage Reserve	142,651	54,060	0	196,711	15,852	6,656	0	22,508	128,446	14,205	0	142,651
Nyabing Recreation Reserve	17,596	6,501	0	24,097	31,585	7,128	0	38,713	34,778	7,138	(24,320)	17,596
Pingrup Recreation Reserve	31,631	49,193	0	80,824	17,312	519	0	17,831	24,819	6,812	0	31,631
Computer Equipment Reserve	1,646	47	0	1,693	27,987	840	0	28,827	1,594	52	0	1,646
Water Provision Reserve	28,037	597	0	28,634	142,412	55,772	0	198,184	27,148	889	0	28,037
Cemetery Reserve	17,344	494	0	17,838	1,643	49	0	1,692	16,794	550	0	17,344
Refuse Disposal Facility Reserve	93,758	2,668	0	96,426	86,882	23,206	(45,000)	65,088	90,786	2,972	0	93,758
Admin Vehicle Reserve	89,337	22,542	0	111,879	93,589	2,808	0	96,397	31,897	77,440	(20,000)	89,337
Road Reserve	392,313	11,163	(50,000)	353,476	391,653	11,750	(50,000)	353,403	355,670	36,643	0	392,313
Landcare Reserve	10,000	285	0	10,285	10,000	62,042	(60,000)	12,042	0	60,000	(50,000)	10,000
	<u>1,640,843</u>	<u>370,991</u>	<u>(200,000)</u>	<u>1,811,834</u>	<u>1,629,362</u>	<u>401,083</u>	<u>(305,000)</u>	<u>1,725,445</u>	<u>1,295,364</u>	<u>439,799</u>	<u>(94,320)</u>	<u>1,640,843</u>

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.

12. RESERVES - CASH BACKED

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		To be used to fund employee leave entitlements.
Plant reserve		To be used for the purchase of major plant.
Building reserve		To be used for the construction and/or capital maintenance of building infrastructure development and for land acquisition.
Sewerage Reserve		To be used for upgrading and/or major maintenance of town sewerage schemes.
Nyabing Recreation Reserve		To be used for the upgrading of sporting facilities in Nyabing.
Pingrup Recreation Reserve		To be used for the upgrading of sporting facilities in Pingrup.
Computer Equipment Reserve		To be used for upgrading the main administration computer system and software.
Water Provision Reserve		To be used providing water services to rural areas of the Shire.
Cemetery Reserve		To be used in upgrading the Nyabing and Pingrup cemeteries.
Refuse Disposal Facility Reserve		To be used for a transfer station to be placed at the Pingrup rubbish site.
Admin Vehicle Reserve		To be used for future vehicle changeovers for the CEO, DCEO and Works Supervisor.
Road Reserve		To be used for capital works on roads within the Shire of Kent for future years.
Landcare Reserve		To be used for operational costs including wages, salaries and other costs for the NRM Officer. From time to time these funds will be transferred to the municipal account to cover such costs.

SHIRE OF KENT
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13. REVALUATION SURPLUS

	2016 Opening Balance \$	2016 Revaluation Increment \$	2016 Revaluation Decrement \$	2016 Total Movement on Revaluation \$	2016 Closing Balance \$	2015 Opening Balance \$	2015 Revaluation Increment \$	2015 Revaluation Decrement \$	2015 Total Movement on Revaluation \$	2015 Closing Balance \$
Land and buildings	6,394,212	0	0	0	6,394,212	6,363,212	31,000	0	31,000	6,394,212
Plant and equipment	62,545	8,285	(9,673)	(1,388)	61,157	62,545	0	0	0	62,545
Infrastructure - roads	212,166,494	0	0	0	212,166,494	11,107,636	201,058,858	0	201,058,858	212,166,494
Infrastructure - other	985,850	0	0	0	985,850	0	985,850	0	985,850	985,850
	<u>219,609,101</u>	<u>8,285</u>	<u>(9,673)</u>	<u>(1,388)</u>	<u>219,607,713</u>	<u>17,533,393</u>	<u>202,075,708</u>	<u>0</u>	<u>202,075,708</u>	<u>219,609,101</u>

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.

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14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2016	2016	2015
	\$	Budget	\$
		\$	
Cash and cash equivalents	<u>2,659,494</u>	<u>1,790,189</u>	<u>2,570,177</u>

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

Net result	1,239,241	125,025	1,749,507
Non-cash flows in Net result:			
Depreciation	1,224,567	1,444,550	1,197,825
(Profit)/Loss on sale of asset	(17,790)	(39,060)	52,966
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(62,028)	75,373	(75,869)
(Increase)/Decrease in inventories	(22,990)	(20,000)	5,917
Increase/(Decrease) in payables	46,705	209,357	23,664
Increase/(Decrease) in provisions	7,625	41,591	32,943
Grants contributions for the development of assets	<u>(1,443,393)</u>	<u>(1,089,969)</u>	<u>(478,899)</u>
Net cash from operating activities	<u>971,937</u>	<u>746,867</u>	<u>2,508,054</u>

	2016	2015
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Bank overdraft limit	100,000	100,000
Bank overdraft at balance date	0	0
Credit card limit	8,000	8,000
Credit card balance at balance date	<u>0</u>	<u>0</u>
Total amount of credit unused	<u>108,000</u>	<u>108,000</u>
Loan facilities		
Loan facilities - current	75,705	71,970
Loan facilities - non-current	<u>506,049</u>	<u>581,755</u>
Total facilities in use at balance date	<u>581,754</u>	<u>653,725</u>
Unused loan facilities at balance date	<u>NIL</u>	<u>NIL</u>

**SHIRE OF KENT
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FOR THE YEAR ENDED 30TH JUNE 2016**

15. CONTINGENT LIABILITIES

The Shire of Kent has no contingent assets and contingent liabilities as at 30 June 2016.

16. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

The Shire did not have any future operating lease commitments at the 30 June 2016.

(b) Capital Expenditure Commitments

The Shire did not have any future capital expenditure commitments at the 30 June 2016.

17. JOINT VENTURE ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2016	2015
	\$	\$
Governance	566,870	573,818
Law, order, public safety	466,200	126,224
Housing	2,536,898	2,542,331
Community amenities	1,149,047	1,228,240
Recreation and culture	6,409,436	6,329,150
Transport	232,497,472	232,311,138
Economic services	296,185	326,509
Other property and services	3,220,847	2,862,413
Unallocated	3,567,927	3,190,848
	<u>250,710,882</u>	<u>249,490,671</u>

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	2016	2015	2014
19. FINANCIAL RATIOS			
Current ratio	3.91	4.11	3.43
Asset sustainability ratio	1.82	2.17	1.44
Debt service cover ratio	9.83	32.34	8.51
Operating surplus ratio	(0.07)	0.47	(0.17)
Own source revenue coverage ratio	0.62	0.61	0.66

The above ratios are calculated as follows:

Current ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset sustainability ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
Debt service cover ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating surplus ratio	$\frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$
Own source revenue coverage ratio	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **asset consumption ratio** and the **asset renewal funding ratio** can be found at Supplementary Ratio Information on Page 51 of this document.

Two of the 2016 and 2015 ratios disclosed above are distorted by the early receipt of half of the allocation of the 2015-16 Financial Assistance Grant on 30 June 2015.

The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016 by \$639,164.

The early payment was considered to be "one-off" and if recognised in the year to which the allocation related the calculations in the 2016 and 2015 columns above would be as follows:

	2016	2015
Debt service cover ratio	8.91	32.34
Operating surplus ratio	0.15	0.47

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20. 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 2015 \$	Amounts Received \$	Amounts Paid (\$)	30 June 2016 \$
Housing Bonds	4,108	2,280	(1,784)	4,604
Trust Other	178	0	0	178
BCITF & BRB Levy	0	649	(649)	0
Council Nominations	0	240	(240)	0
	<u>4,286</u>			<u>4,782</u>

21. DISPOSALS OF ASSETS - 2015/16 FINANCIAL YEAR

The following assets were disposed of during the year.

	Actual Net Book Value \$	Actual Sale Proceeds \$	Actual Profit \$	Actual Loss \$	Budget Net Book Value \$	Budget Sale Proceeds \$	Budget Profit \$	Budget Loss \$
Furniture and Equipment								
<i>Governance</i>								
LG Phone System Admin 2001	1,487	0	0	(1,487)	0	0	0	0
Plant and Equipment								
<i>Transport</i>								
Toyota RAV4 - 40KT	37,236	39,000	1,764	0	40,500	42,000	1,500	0
Ford Ranger - 50KT	41,368	40,000	0	(1,368)	47,000	30,000	0	(17,000)
DAF Tip Truck - KT044	0	0	0	0	0	65,000	65,000	0
Mitsub Triton Utility - KT002	11,240	12,727	1,487	0	10,000	10,000	0	0
Mitsub Triton Utility - KT004	14,397	16,364	1,967	0	12,500	10,000	0	(2,500)
Mitsub Triton Utility - KT026	11,249	11,818	569	0	9,000	10,000	1,000	0
Kia Truck - KT008	10,798	9,091	0	(1,707)	11,979	2,500	0	(9,479)
Mitsub Triton Utility - KT019	10,919	12,727	1,808	0	9,000	10,000	1,000	0
Chamberlain Trac - KT022	4,920	15,120	10,200	0	5,461	5,000	0	(461)
Gianni Mower	6,056	8,182	2,126	0	5,000	5,000	0	0
Community Bus - Pingrup	7,569	10,000	2,431	0				
	<u>157,239</u>	<u>175,029</u>	<u>22,352</u>	<u>(4,562)</u>	<u>150,440</u>	<u>189,500</u>	<u>68,500</u>	<u>(29,440)</u>

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22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal	New	Principal		Principal		Interest	
	1 July		Loans	Repayments	Repayments	30 June 2016	Repayments	Repayments
	2015		Actual	Budget	Actual	Budget	Actual	Budget
	\$	\$	\$	\$	\$	\$	\$	\$
Housing								
Loan 91, Various Duplexes	453,103		38,618	38,618	414,485	414,485	26,887	28,390
Community amenities								
Loan 54, Nyabing Effluent	26,418		2,020	2,020	24,398	24,398	2,254	2,308
Recreation and culture								
Pingrup Pavilion Upgrade	0		0	0	0	0	0	
Economic services								
Loan 92 - ADSL Conversion	140,000		26,518	28,774	113,482	111,226	4,231	3,541
Nyabing & Pingrup					0	0		
Other property and services								
Loan 88, Nyabing General Store	34,204		4,814	4,814	29,390	29,390	2,101	2,186
	653,725	0	71,970	74,226	581,755	579,499	35,473	36,425

Self supporting loan financed by payments from third parties.
All other loan repayments were financed by general purpose revenue.

(b) New Debentures - 2015/16

The Shire did not take up any new debentures during the year ended 30 June 2016.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2016.

(d) Overdraft

Council established an overdraft facility of \$100,000 in 2010 to assist with short term liquidity requirements.
The balance of the bank overdraft at 1 July 2015 and 30 June 2016 was nil.

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23. RATING INFORMATION - 2015/16 FINANCIAL YEAR

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential general rate / general rate											
Gross rental value valuations											
Residential/Commercial	0.1311	77	435,604	57,122	0	(571)	56,551	56,903	0	0	56,903
Unimproved value valuations											
Rural	0.0111	355	180,599,000	1,997,056	(421)	3,788	2,000,427	2,004,107	0	0	2,004,107
Mining	0.0111	0	0	0	0	0	0	0	0	0	0
Sub-Total		432	181,034,604	2,054,178	(421)	3,217	2,056,978	2,061,010	0	0	2,061,010
Minimum payment	Minimum \$										
Gross rental value valuations											
Residential/Commercial	450	23	24,686	10,350	0	0	10,350	10,350	0	0	10,350
Unimproved value valuations											
Rural	450	8	169,400	3,600	0	0	3,600	3,600	0	0	3,600
Mining	450	8	79,297	3,600	0	0	3,600	3,600	0	0	3,600
Sub-Total		39	273,383	17,550	0	0	17,550	17,550	0	0	17,550
		471	181,307,987	2,071,728	(421)	3,217	2,074,528	2,078,560	0	0	2,078,560
Discounts/concessions (refer note 27)							0				0
Total amount raised from general rate							2,074,528				2,078,560
Specified Area Rate (refer note 25)							0				0
Ex-gratia rates							28,021				28,290
Totals							2,102,549				2,106,850

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24. NET CURRENT ASSETS

Composition of net current assets

	2016 (30 June 2016 Carried Forward) \$	2016 (1 July 2015 Brought Forward) \$	2015 (30 June 2015 Carried Forward) \$
Surplus/(Deficit) 1 July 15 brought forward	<u>732,341</u>	<u>766,354</u>	<u>766,354</u>
CURRENT ASSETS			
Cash and cash equivalents			
Unrestricted	847,656	929,336	929,336
Restricted	1,811,834	1,640,841	1,640,841
Receivables			
Rates outstanding	53,206	80,588	80,588
Sundry debtors	124,557	46,672	46,672
GST receivable	50,529	39,997	39,997
Inventories			
Fuel and materials	79,976	56,986	56,986
LESS: CURRENT LIABILITIES			
Trade and other payables			
Sundry creditors	(71,966)	(16,109)	(16,109)
Accrued interest on debentures	(11,593)	(12,144)	(12,144)
Accrued salaries and wages	(6,970)	(45,100)	(45,100)
ATO liabilities	(36,559)	(22,643)	(22,643)
Excess Rates	(7,080)	(10,854)	(10,854)
GST	(16,845)	2,542	2,542
Current portion of long term borrowings			
Secured by floating charge	(75,705)	(71,970)	(71,970)
Provisions			
Provision for annual leave	(175,570)	(153,923)	(153,923)
Provision for long service leave	(97,002)	(128,993)	(128,993)
Unadjusted net current assets	<u>2,468,468</u>	<u>2,335,226</u>	<u>2,335,226</u>
Adjustments			
Less: Reserves - restricted cash	(1,811,832)	(1,640,842)	(1,640,842)
Add: Secured by floating charge	75,705	71,970	71,970
Adjusted net current assets - surplus/(deficit)	<u>732,341</u>	<u>766,354</u>	<u>766,354</u>

Difference

There was no difference between the surplus/(deficit) 1 July 2015 brought forward position used in the 2016 audited financial report and the surplus/(deficit) carried forward position as disclosed in the 2015 audited financial report.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

25. HEALTH RATE - 2015/16 FINANCIAL YEAR

	Rate in \$	Rateable Value \$	Rate Revenue \$	Budget Rate Revenue \$	Applied to Costs \$	Budget Applied to Costs \$
Sewerage Rate						
Nyabing Residential	0.0464	182,469	13,785	13,612	13,785	13,612
Nyabing Commercial	0.0464	60,580	4,458	5,201	4,458	5,201
Nyabing Vacant	228.00	12,137	684	684	684	684
Pingrup Residential	0.0537	108,524	7,968	7,968	7,968	7,968
Pingrup Commercial	0.0537	69,115	7,430	8,173	7,430	8,173
Pingrup Vacant	228.00	12,137	228	228	228	228
			34,553	35,866	34,553	35,866

The Health Rate is for the provision of sewerage. The charge is applicable to all owners within a designated area surrounding the townsite.

26. SERVICE CHARGES - 2015/16 FINANCIAL YEAR

The Shire did not impose any service charges.

**27. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2015/16 FINANCIAL YEAR**

Rates Discounts

No discount is offered.

Photocopy charges are waived for certain community groups such as the local newsletter, St John Ambulance and Volunteer Bush Fire Brigade. Council considers support of these groups necessary for overall benefit of the community.

28. INTEREST CHARGES AND INSTALMENTS - 2015/16 FINANCIAL YEAR

	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Instalment Options				
Option One				
Single full payment	04-Sep-15	0	0.00%	11.00%
Option Two				
First Instalment	04-Sep-15	15	11.00%	11.00%
Second Instalment	08-Jan-16			
Option Three				
First Instalment	04-Sep-15	30	11.00%	11.00%
Second Instalment	06-Nov-15		11.00%	11.00%
Third Instalment	08-Jan-16		11.00%	11.00%
Fourth Instalment	11-Mar-16		11.00%	11.00%
			Revenue \$	Budgeted Revenue \$
Interest on unpaid rates			10,740	7,400
Interest on instalment plan			6,536	250
Charges on instalment plan			2,380	5,000
			<u>19,656</u>	<u>12,650</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

29. FEES & CHARGES	2016	2015
	\$	\$
Governance	1,285	1,841
General purpose funding	2,965	2,222
Law, order, public safety	37,093	36,768
Health	0	215
Housing	72,987	86,516
Community amenities	64,662	56,904
Recreation and culture	2,513	3,160
Transport	266,401	281,272
Economic services	38,701	31,572
Other property and services	71,252	93,018
	<u>557,859</u>	<u>593,488</u>

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

30. GRANT REVENUE

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

By Nature or Type:

Operating grants, subsidies and contributions

	2016	2015
	\$	\$
Governance	9,964	24,052
General purpose funding	622,061	1,869,643
Law, order, public safety	120,459	45,445
Health	0	98,762
Housing	170,016	654,765
Community amenities	179,362	68,023
Recreation and culture	46,455	25,919
Transport	245,073	137,089
Economic services	10,000	0
Other property and services	46,508	26,067
	<u>1,449,898</u>	<u>2,949,765</u>

Non-operating grants, subsidies and contributions

Governance	0	357,489
Law, order, public safety	351,425	0
Transport	1,091,968	121,410
	<u>1,443,393</u>	<u>478,899</u>
	<u>2,893,291</u>	<u>3,428,664</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

27	27
----	----

32. ELECTED MEMBERS REMUNERATION

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

	2016	2016	2015
	\$	Budget	\$
Meeting Fees	54,250	56,000	56,000
President's allowance	7,000	7,000	7,000
Childcare Expenses	0	6,500	0
Travelling expenses	14,447	19,000	12,479
Telecommunications Allowance	0	0	8,000
	<u>75,697</u>	<u>88,500</u>	<u>83,479</u>

33. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the 2015/16 financial year.

34. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The shire did not participate in any trading undertakings or major trading undertakings during the 2015/16 financial year.

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT

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

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

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

The Shire held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,659,490	2,570,177	2,659,490	2,570,177
Receivables	236,136	174,108	236,136	174,108
	<u>2,895,626</u>	<u>2,744,285</u>	<u>2,895,626</u>	<u>2,744,285</u>
Financial liabilities				
Payables	151,013	104,308	151,013	104,308
Borrowings	581,754	653,725	581,754	653,725
	<u>732,767</u>	<u>758,033</u>	<u>732,767</u>	<u>758,033</u>

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables - estimated to the carrying value which approximates net market value.
- Borrowings, held to maturity investments, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.
- Financial assets at fair value through profit and loss, available for sale financial assets - based on quoted market prices at the reporting date or independent valuation.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Financial assets at fair value through profit and loss

Available-for-sale financial assets

Held-to-maturity investments

The Shire's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

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

The Shire manages these risks by diversifying its portfolio and only investing in investments authorised by *Local Government (Financial Management) Regulation 19C*. Council also seeks advice from independent advisers (where considered necessary) before placing any cash and investments.

	2016	2015
	\$	\$
Impact of a 10% ⁽¹⁾ movement in price of investments		
- Equity	0	0
- Statement of Comprehensive Income	0	0
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	26,595	25,702
- Statement of Comprehensive Income	26,595	25,702

Notes:

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

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2016	2015
Percentage of rates and annual charges		
- Current	100%	100%
- Overdue	0%	0%
Percentage of other receivables		
- Current	100%	100%
- Overdue	0%	0%

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2016</u>					
Payables	151,013	0	0	151,013	151,013
Borrowings	107,996	480,553	213,685	802,234	581,755
	<u>259,009</u>	<u>480,553</u>	<u>213,685</u>	<u>953,247</u>	<u>732,768</u>
<u>2015</u>					
Payables	104,308	0	0	104,308	104,308
Borrowings	78,336	313,345	292,342	684,023	653,725
	<u>182,644</u>	<u>313,345</u>	<u>292,342</u>	<u>788,331</u>	<u>758,033</u>

**SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2016**

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings (continued)

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

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

	<u><1 year</u>	<u>>1<2 years</u>	<u>>2<3 years</u>	<u>>3<4 years</u>	<u>>4<5 years</u>	<u>>5 years</u>	<u>Total</u>	<u>Weighted Average Effective Interest Rate</u>
	\$	\$	\$	\$	\$	\$	\$	%
Year ended 30 June 2016								
Borrowings								
Fixed rate								
Debtentures	0	0	0	0	(113,482)	(468,273)	(581,755)	5.72%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Year ended 30 June 2015								
Borrowings								
Fixed rate								
Debtentures	0	0	0	(26,418)	0	(487,307)	(513,725)	6.45%
Weighted average Effective interest rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

INDEPENDENT AUDIT REPORT TO THE SHIRE OF KENT

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Kent which comprises the statement of financial position as at 30 June 2016 and 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 ended on that date, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Byfields Pty Ltd ACN 150 608 398

DIRECTORS: Andrew Northcott B.Com CPA • Craig Lane B.Com CPA • Dale Woodruff B.Bus CPA • Jon Bush B.Com CPA • Leanne Oliver B.Com CPA
Neil Hooper B.Com CPA • Simon Northey B.Bus CPA • Glenn Waldock B.Bus CPA • Roger Thomson B.Bus CA • Brant Jansen B.Bus CPA • Ryan Naughton B.Com CPA
ASSOCIATES: Ian Jones B.Com CPA • Lea Williams B.Com CA • Tony Umbrello B.Bus CA

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Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Statutory Compliance

During the course of our audit we did not become aware of any matter which did not comply with the Local Government (Financial Management) Regulations 1996 (as amended) or Part 6 of the Local Government Act 1995.

Auditor's Opinion

In our opinion:

The financial report of the Shire of Kent is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) including:

- i) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
- ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) the Local Government Act 1995 Part 6 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).



LEANNE OLIVER RCA
Director

BYFIELDS
BELMONT WA

Date: 12 December 2016

**SHIRE OF KENT
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2016**

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

	2016	2015	2014
Asset consumption ratio	1.00	0.73	N/A
Asset renewal funding ratio	**	**	N/A

The above ratios are calculated as follows:

Asset consumption ratio $\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$

Asset renewal funding ratio $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**This information is not available at this time. Council are working towards the completion of their asset management plan, at which time this ratio will be calculatable.

