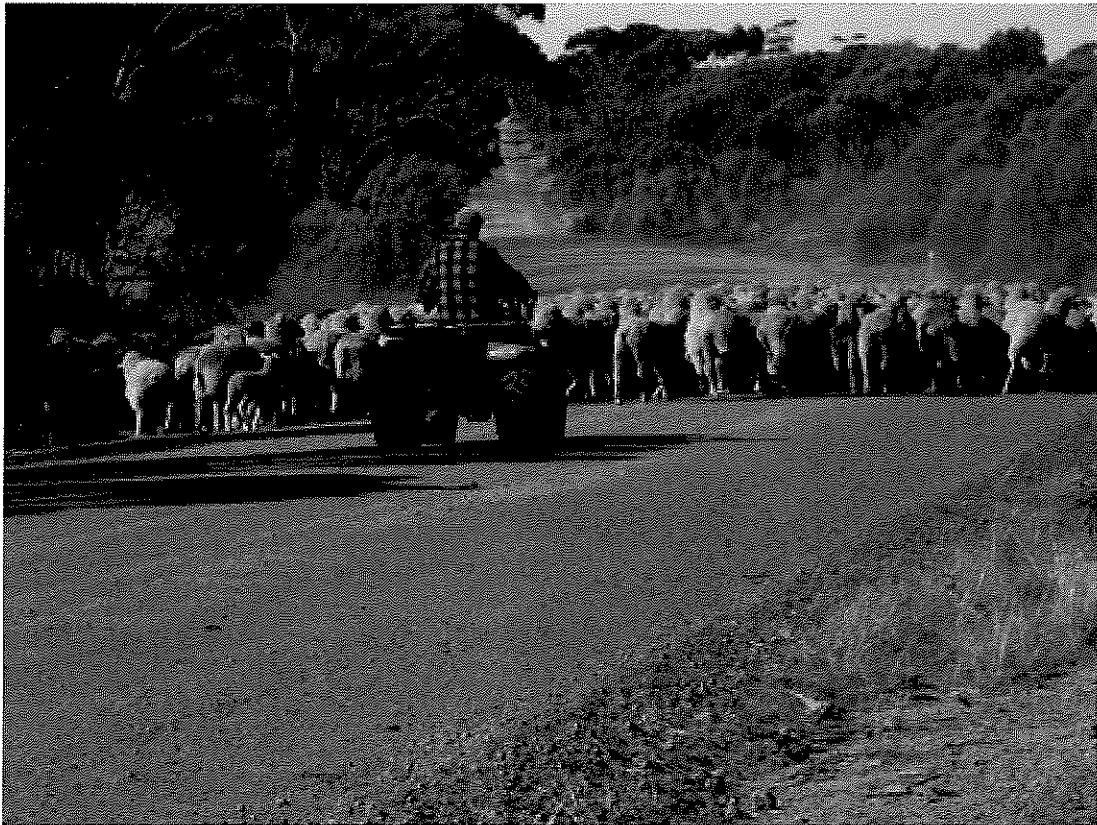




Shire of Kent – Annual Report 2013/2014

Shire of Kent



Annual Report 2013/14



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Shire of Kent – Annual Report 2013/2014

1. INTRODUCTION

The Shire of Kent is pleased to present the Annual Report for the 2013/2014 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 G M (Tony) Simpson 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	Average Min Temp	9(C)
Position	320km SE of Perth	Wool Clip	1,961,000kg
Population	540	Wheat Produced	141,000 tonnes
Length of Roads	224km sealed	Barley Produced	55,000 tonnes
	1206km gravel		
Rateable Assessments	486	Number of Sheep	414,000
Average Rainfall	375mm	Number of Pigs	11,000
Average Max Temp	23(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



Shire of Kent – Annual Report 2013/2014

3. SHIRE PRESIDENTS REPORT

It is with pleasure that I report on the activities of the Shire of Kent for the period 1 July 2013 to 30 June 2014. The Council finished the year with a surplus of \$23,825. The surplus was affected by the withdrawal of the Country Local Government Fund Royalties for Regions funding which has subsequently been reinstated by the State Government. The projects associated with this funding were time specific and so the Council continued with the works prior to receipt of the funds. It is our understanding that these funds will be paid to the Council in 2014/15 financial year and will see the completion of the park projects. The result is nonetheless a good one and sees the continuation of prudent financial management of the Council's resources.

Council has continued to endeavour to maintain a vibrant rural community and pursue the objectives of the Community Strategic Plan 2013 – 2023 and will be undertaking a review.

This year has seen further progress on Memorial Park and Burston Street Park which are funded from Royalties for Regions Program and, with further funding from this program next year both parks will be completed. We also saw the approval of the Nyabing Well Aged housing units, these are funded through special Royalties for regions funding and will now commence next year. Funding has been granted from the Department of Water for a Wastewater treatment plant which will also be completed during the 2014/15 financial year. The Nyabing Waste Transfer station has been postponed to next year as has the completion of the Coates Close subdivision.

Council staff will continue to source funding where available to take on such projects so that ratepayer's contributions to these "soft" projects is kept to an absolute minimum.

Telecommunications, roads, water to a lesser degree and local government reform continue to be major issues for the council and staff. In addition to the reform process there is a much greater compliance regime through long term planning and asset management provisions of the revised Local Government Act now in place. While several of the plans are not yet complete, they will come to finalisation and full integration in the near future. Council has sought assistance through Royalties for regions for a mobile phone base station within the Nyabing townsite and will continue to push for this project to be fully funded by the State and Telstra.

It has been another challenging year, with a number of large projects being undertaken, some postponed due to funding constraints and with a lot of uncertainty on the horizon. Our CEO and staff continue to look for opportunities to enhance services and access funds to help maintain and improve services to our communities.

In conclusion, I would like to thank Peter, all staff members and Councillors for their dedication throughout the year. Also thanks goes to Cr Mark Stephens for his support as Deputy Shire President.

CR CATHY CROSBY
SHIRE PRESIDENT



Shire of Kent – Annual Report 2013/2014

4. CHIEF EXECUTIVE OFFICERS REPORT

It is with great pleasure that I present my report for the 2013/2014 financial year, a year that has had a focus on future planning and has provided many challenges for our small workforce.

Integrated Planning

Council embraced the Integrated Planning and Reporting requirements and embarked on the development of its Community Strategic Plan and Workforce Plan. After engaging with the community and consulting with our stakeholders to develop both Plans they were adopted in June 2013. Other informing documents, an Asset Management Plan, Long Term Financial Plan and Corporate Plan are still in development following problems with the changes to fair value accounting for assets, in particular the valuation of assets. The development of these documents is providing an opportunity for both Councillors and staff to have a close look at the community owned assets and to also gain a better understanding of where our future direction lies.

The Community Strategic Plan must be reviewed every 4 years while the Corporate Plan will be reviewed annually. The Shire of Kent received no financial assistance with the development of this plan however many councils, particularly those that have committed to Regional Transition Groups through the local government reform process, have had significant funding for the many new planning tasks ascribed to local government. The Strategic Community Plan is available on Councils website www.kent.wa.gov.au

Financial Performance

The Shire of Kent continued to maintain a strong financial position throughout the 2013-2014 financial year. Some of the highlights are as follows:

- The year finished with \$1,295,365 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.
- The 2013-2014 year saw Council raise no new loans.

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 2012-13 year:-

- **Current ratio** – (indicates the Shire’s ability to meet short term debt obligations) Council’s ratio is 3.43 where the standard is met if the ratio is greater than 1.1. Thus we finished in a very strong 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 1.44 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 8.51 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. Again we are in a very strong position.
- **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 (0.17) where a basic standard is met if the ratio is between 0.01 and 0.15. Council is slightly below the basic standard in this instance and according to this ratio should have increased rates by a further 0.17% to break even for the year. This is not a significant issue.



Shire of Kent – Annual Report 2013/2014

4. CHIEF EXECUTIVE OFFICERS REPORT (continued)

- **Own Source Revenue Coverage Ratio** – (indicates the Shire’s ability to cover its costs through its own revenue effort). This year the ratio is 0.66 where the standard is met if the ratio is between 0.4 and 0.6. Council meets the intermediate standard which is between 0.6 and 0.9. Council’s standards have increased in this area.
- **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 0.699 where the standard is met if the ratio is 0.5 or greater. Council does not meet 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 2013-2014 budget was adopted by Council on 21 August 2014 and included an overall rate increase of 5.0%. 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 – *(Seal)*
- Newdegate Pingrup Road – *(Regional Road Group)*
- Ongerup Road – *(widen and seal)*
- Newdegate/Tranter Road – *(Widen slip lane construction & reseal)*
- Fence Road – *(Gravel Re-sheet)*
- Kuringup Road – *(Widen and seal)*
- North Needilup Road – *(Gravel Re-sheet)*
- Steele Road – *(Gravel Re-sheet)*
- Kukerin Road – *(Gravel Re-sheet)*
- Bin Road & Kukerin Road – *(Stabilisation)*
- South Kuringup Road – *(Gravel Re-sheet)*
- Kukerin Road – *(Gravel Re-Sheet)*
- Range Road – *(Gravel Re-sheet)*
- Richmond Street *(Surface Corrections)*

Royalties for Regions – Country Local Government Fund

Nyabing Bowling Green Surface Replacement

\$140,000 was allocated to this project. The total project cost is \$265,000 with the balance of funds coming from contributions from the Sports Club, The Bowling Club and the CSRFF Fund. Additional works were added to the original project which will be funded from a combination of Bowling Club and Council contributions.

Memorial Park and Burston Street Park

\$190,000 was allocated for the continued park projects. These projects were suspended due to the withdrawal of R 4 R funding. The funding has subsequently been reinstated.



Shire of Kent – Annual Report 2013/2014

4. CHIEF EXECUTIVE OFFICERS REPORT (continued)

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. There is some continued funding doubts regarding the full completion of these projects. As more information comes to hand the Council will formulate strategies for the proper completion of these projects.

Other Projects

Purpose-built Education Department House.

Council had agreed to construct a purpose built house for a teacher/principal's residence in Nyabing. \$450,000 was set aside to come from loan funding for this project however in early 2013 the Government Regional Officers Housing area of the Department of Housing asked that Council postpone the project. At this time it is believed that the project has been shelved indefinitely.

Coates Close Subdivision

The land at Coates Close has been vested in the Shire of Kent for residential purposes and the Council can now move to freehold these lots for housing. One lot is earmarked as a future senior staff house, and another for well aged accommodation. Another lot will be used for 2 well aged seniors homes. Construction of these two homes will be complete during the 2015 financial year.

Other

Local Government Reform still features prominently in the lives of Local Government Councillors and staff. 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 also be in a good position to meet the demands being placed on it in relation to the State Government initiated reform process. The Metropolitan Review has resulted in the announcement of proposed amalgamations across the 30 metropolitan Local Governments to just 15. It is anticipated that the rural areas will follow at a later date even though the Minister has said that at this stage he has no appetite for country reform. 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. In conclusion I would like to thank the Shire President, Cathy Crosby 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



5. SHIRE OF KENT COUNCIL MEMBERS - 2013/2014

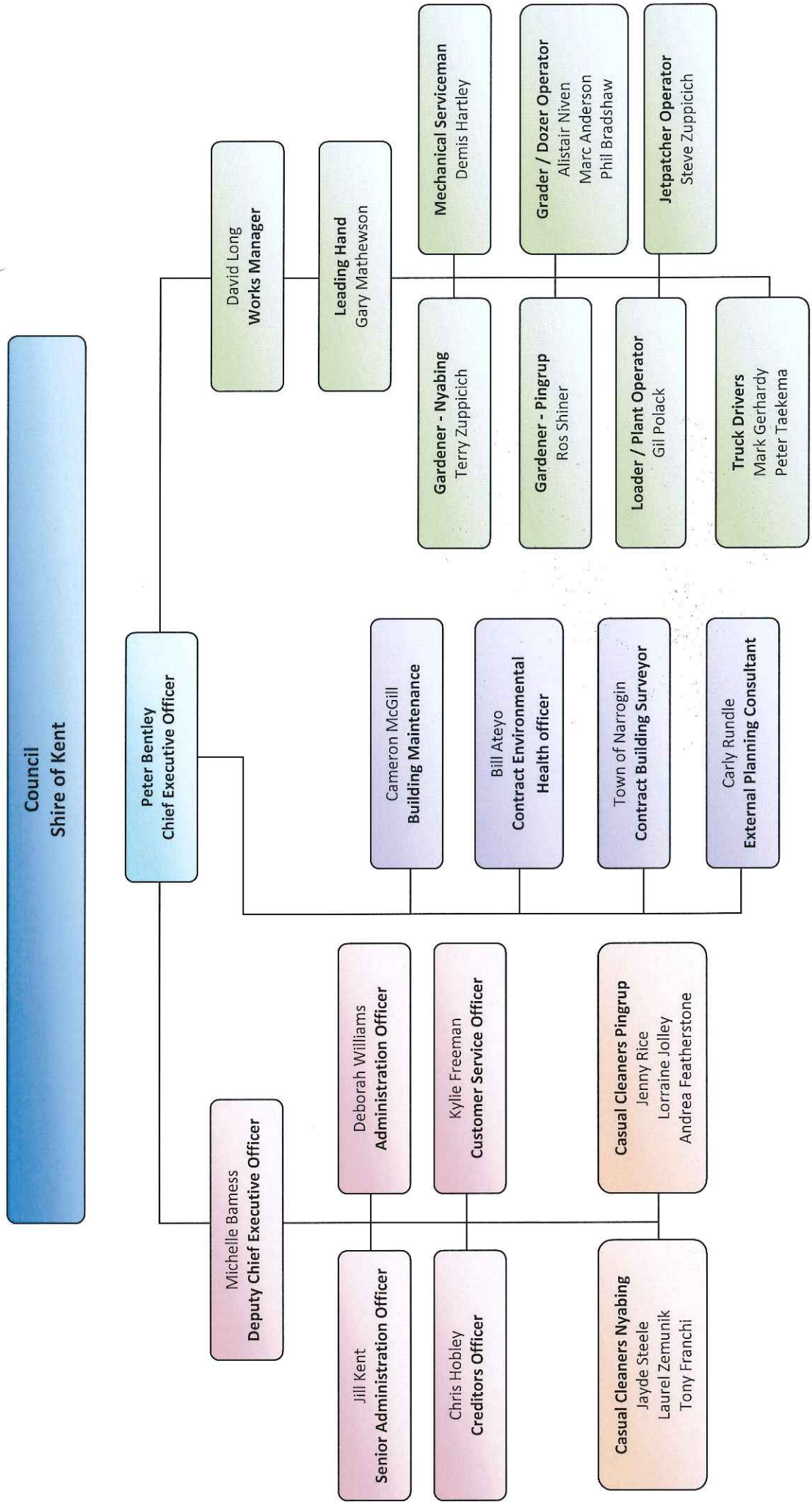


Back Row – Cr Mark Stephens (Deputy President), Cr Grant Collins, Cr Bruce Altham, Cr Alan Smith, Cr Gordon Browne
 Front Row – Cr Megan Tuffley, Cr Cathy Crosby (Shire President), Cr Renae Jury

COUNCILLORS	PHONE	FAX
C (Cathy) Crosby	98291061	
BM (Bruce) Altham	9820 1064	9820 1040
A (Alan) Smith	9820 1046	9820 1003
G (Grant) Collins	9829 6016	9829 6029
GD (Gordon) Browne	9829 1014	9829 1141
M (Mark) Stephens	9829 1114	9829 1048
MJ (Megan) Tuffley	9829 1076	9829 1076
RA (Renae) Jury	9820 1080	9820 1007



6. ORGANISATIONAL STRUCTURE





Shire of Kent – Annual Report 2013/2014

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 2013-2014 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.



Shire of Kent – Annual Report 2013/2014

8. ADDITIONAL INFORMATION (continued)

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 2013-2014 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 Councils 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.



Shire of Kent – Annual Report 2013/2014

8. ADDITIONAL INFORMATION (continued)

DISABILITY SERVICES PLAN

Section 29(m) of the *Disability Services Act 1993* requires the Shire to report on the following six 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. In 2012-13 improvements to footpaths, in both townsites, have included disabled access. Our 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.
- 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 available in an accessible format.

BUILDING MAINTENANCE AND CAPITAL IMPROVEMENT REPORT

A significant amount of building maintenance and capital improvements was undertaken during the 2013-14 year to Council residential and public buildings. Some of the major projects are outlined below:

Lot 102 Aspendale St - Kitchen renovations

Lot 166 A Coates Close - Bathroom, laundry, toilet renovations

1/160 Hobley St - Replace floor coverings, repairs to eaves around carport posts

2/160 Hobley St - Replace floor coverings



Shire of Kent – Annual Report 2013/2014

8. ADDITIONAL INFORMATION (continued)

BUILDING MAINTENANCE AND CAPITAL IMPROVEMENT REPORT (continued)

Nyabing Bowling Club - Installation of Shade Structures

Pingrup Potters – Replace louvered windows with aluminium windows, install roof to vent to kiln room

Pingrup Hall - Replace measuring table (Child Health Clinic), replace ceiling in main hall area

Memorial Park, Nyabing – Installation of fencing around gardens and gate to tank and reticulation areas, construct footings, installation of bollard light

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 2014

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Principal place of business: Address	

**SHIRE OF KENT
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Kent being the annual financial report and other information for the financial year ended 30 June 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Kent at 30th June 2014 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 *26TH* day of *September* 2014



John Peter Bentley
Chief Executive Officer

SHIRE OF KENT
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Rates	22	1,953,266	1,931,741	1,811,947
Operating Grants, Subsidies and Contributions	28	969,552	1,194,552	1,275,809
Fees and Charges	27	781,814	841,950	680,658
Service Charges	24	0	0	9,767
Interest Earnings	2(a)	76,365	114,265	101,595
Other Revenue		29,049	21,653	68,553
		3,810,046	4,104,161	3,948,329
Expenses				
Employee Costs		(1,333,669)	(1,406,255)	(1,332,852)
Materials and Contracts		(921,250)	(834,574)	(713,385)
Utility Charges		(149,990)	(151,561)	(124,838)
Depreciation on Non-Current Assets	2(a)	(1,231,943)	(1,097,700)	(1,316,434)
Interest Expenses	2(a)	(52,415)	(48,492)	(26,548)
Insurance Expenses		(144,279)	(125,933)	(120,634)
Other Expenditure		(412,034)	(464,315)	(399,807)
		(4,245,580)	(4,128,830)	(4,034,498)
		(435,534)	(24,669)	(86,169)
Non-Operating Grants, Subsidies and Contributions	28	522,018	1,676,323	520,490
Loss on Revaluation of Fixed Assets	2(a)	0	0	0
Profit on Asset Disposals	20	9,631	225,782	12,998
Loss on Asset Disposals	20	(72,290)	(20,318)	(82,079)
NET RESULT		23,825	1,857,118	365,240
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	6,363,212	0	62,545
Total Other Comprehensive Income		6,363,212	0	62,545
Total Comprehensive Income		6,387,037	1,857,118	427,785

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 2014

	NOTE	2014 \$	2014 Budget \$	2013 \$
Revenue				
Governance		41,337	15,500	9,752
General Purpose Funding		2,543,083	2,597,459	2,473,040
Law, Order, Public Safety		71,098	62,590	61,519
Health		226	0	0
Education and Welfare		1,927	1,000	571
Housing		81,450	139,962	83,013
Community Amenities		126,755	182,800	58,969
Recreation and Culture		106,065	290,950	54,486
Transport		491,303	470,018	957,700
Economic Services		45,696	48,500	54,307
Other Property and Services		301,106	315,700	194,972
	2(a)	3,810,046	4,124,479	3,948,329
Expenses				
Governance		(331,057)	(487,801)	(324,388)
General Purpose Funding		(64,255)	(146,984)	(62,990)
Law, Order, Public Safety		(77,453)	(81,597)	(104,642)
Health		(22,781)	(19,722)	(7,542)
Education and Welfare		(14,758)	(17,249)	(12,721)
Housing	48017	(279,599)	(188,494)	(259,546)
Community Amenities	3416	(164,896)	(250,979)	(152,180)
Recreation & Culture		(540,625)	(620,153)	(593,214)
Transport	20318	(2,295,479)	(1,901,056)	(2,290,584)
Economic Services		(148,728)	(191,971)	(138,858)
Other Property and Services	4040	(253,534)	(194,650)	(61,285)
	2(a)	(4,193,165)	(4,100,656)	(4,007,950)
Financial Costs				
Housing		(44,946)	(43,088)	(22,079)
Community Amenities		(3,409)	(2,630)	(1,918)
Other Property and Services		(4,060)	(2,774)	(2,551)
	2(a)	(52,415)	(48,492)	(26,548)
Non-Operating Grants, Subsidies and Contributions				
General Purpose Funding		0	1,232,276	0
Health		0	0	0
Housing		0	0	0
Community Amenities		0	0	0
Recreation & Culture		0	0	0
Transport		522,018	444,047	520,490
		522,018	1,676,323	520,490
Profit/(Loss) on Disposal of Assets				
Housing		0	194,584	0
Transport		(62,659)	10,880	(69,081)
		(62,659)	205,464	(69,081)
Net Result		23,825	1,857,118	365,240
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	6,363,212	0	62,545
Total Other Comprehensive Income		6,363,212	0	62,545
Total Comprehensive Income		6,387,037	1,857,118	427,785

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

SHIRE OF KENT
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014

	NOTE	2014 \$	2013 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,849,546	2,157,522
Trade and Other Receivables	4	92,335	161,542
Inventories	5	62,903	55,706
TOTAL CURRENT ASSETS		<u>2,004,784</u>	<u>2,374,770</u>
NON-CURRENT ASSETS			
Other Receivables	4	5,903	5,002
Property, Plant and Equipment	6	11,003,603	4,978,917
Infrastructure	7	32,497,182	31,878,158
TOTAL NON-CURRENT ASSETS		<u>43,506,688</u>	<u>36,862,077</u>
TOTAL ASSETS		<u>45,511,472</u>	<u>39,236,847</u>
CURRENT LIABILITIES			
Trade and Other Payables	8	80,645	101,730
Current Portion of Long Term Borrowings	9	42,623	39,701
Provisions	10	236,675	275,517
TOTAL CURRENT LIABILITIES		<u>359,943</u>	<u>416,948</u>
NON-CURRENT LIABILITIES			
Long Term Borrowings	9	513,725	556,617
Provisions	10	24,964	37,478
TOTAL NON-CURRENT LIABILITIES		<u>538,689</u>	<u>594,095</u>
TOTAL LIABILITIES		<u>898,632</u>	<u>1,011,043</u>
		<u>44,612,840</u>	<u>38,225,804</u>
EQUITY			
Retained Surplus		25,784,083	25,425,289
Reserves - Cash Backed	11	1,295,365	1,630,334
Revaluation Surplus	12	17,533,392	11,170,180
TOTAL EQUITY		<u>44,612,840</u>	<u>38,225,803</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 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2012		25,164,757	1,525,625	11,107,635	37,798,018
Comprehensive Income		365,240	0	0	365,240
Net Result		365,240	0	0	365,240
Changes on Revaluation of Non-Current Assets	12	0	0	62,545	62,545
Total Comprehensive Income		365,240	0	62,545	427,785
Transfers from/(to) Reserves		(104,708)	104,708	0	0
Balance as at 30 June 2013		25,425,289	1,630,334	11,170,180	38,225,804
Comprehensive Income		23,825	0	0	23,825
Net Result		23,825	0	0	23,825
Changes on Revaluation of Non-Current Assets	12	0	0	6,363,212	6,363,212
Total Comprehensive Income		23,825	0	6,363,212	6,387,037
Transfers from/(to) Reserves		334,969	(334,969)	0	0
Balance as at 30 June 2014		25,784,083	1,295,365	17,533,392	44,612,841

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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
Cash Flows From Operating Activities				
Receipts				
Rates		1,941,829	1,889,794	1,814,205
Operating Grants, Subsidies and Contributions		1,015,553	1,194,552	1,275,809
Fees and Charges		781,814	1,057,237	850,234
Service Charges		0	0	9,767
Interest Earnings		76,365	114,265	101,595
Goods and Services Tax		33,741	(23,475)	4,143
Other Revenue		29,048	49,950	68,554
		<u>3,878,350</u>	<u>4,282,323</u>	<u>4,124,307</u>
Payments				
Employee Costs		(1,412,509)	(1,414,734)	(1,265,749)
Materials and Contracts		(936,093)	(830,100)	(950,683)
Utility Charges		(149,990)	(151,561)	(124,838)
Interest Expenses		(38,365)	(125,933)	(120,634)
Insurance Expenses		(144,282)	(49,918)	(27,509)
Goods and Services Tax		0	0	28,967
Other Expenditure		(412,034)	(464,315)	(399,808)
		<u>(3,093,273)</u>	<u>(3,036,561)</u>	<u>(2,860,254)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>785,077</u>	<u>1,245,762</u>	<u>1,264,053</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(543,710)	(2,681,713)	(421,796)
Payments for Construction of Infrastructure		(1,233,845)	(1,835,580)	(1,956,010)
Non-Operating Grants, Subsidies and Contributions		522,018	1,676,323	520,490
Proceeds from Sale of Plant & Equipment		202,454	392,000	126,480
Net Cash Provided by (Used in) Investment Activities		<u>(1,053,083)</u>	<u>(2,448,970)</u>	<u>(1,730,836)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		(39,970)	(58,033)	(61,455)
Proceeds from New Debentures		0	600,000	
Net Cash Provided By (Used In) Financing Activities		<u>(39,970)</u>	<u>541,967</u>	<u>(61,455)</u>
Net Increase (Decrease) in Cash Held		<u>(307,976)</u>	<u>(661,241)</u>	<u>(528,238)</u>
Cash at Beginning of Year		2,157,522	2,125,976	2,685,760
Cash and Cash Equivalents at the End of the Year	13(a)	<u><u>1,849,546</u></u>	<u><u>1,464,735</u></u>	<u><u>2,157,522</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 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
Revenue				
Governance		41,336	15,500	9,752
General Purpose Funding		619,667	1,926,290	1,181,583
Law, Order, Public Safety		71,098	62,590	61,519
Health		226	0	0
Education and Welfare		1,927	1,000	571
Housing		81,450	334,546	83,012
Community Amenities		126,755	182,800	58,969
Recreation and Culture		106,065	290,950	54,485
Transport		1,022,953	924,945	970,700
Economic Services		45,696	48,500	54,305
Other Property and Services		301,106	315,701	194,972
		2,418,279	4,102,822	2,669,868
Expenses				
Governance		(331,057)	(487,801)	(324,388)
General Purpose Funding		(64,255)	(146,984)	(62,990)
Law, Order, Public Safety		(77,453)	(81,597)	(104,641)
Health		(22,781)	(19,722)	(7,542)
Education and Welfare		(14,758)	(17,249)	(12,721)
Housing		(324,545)	(231,582)	(281,625)
Community Amenities		(168,305)	(253,609)	(154,098)
Recreation and Culture		(540,624)	(620,153)	(593,214)
Transport		(2,336,922)	(1,901,056)	(2,367,256)
Economic Services		(148,728)	(191,971)	(138,858)
Other Property and Services		(288,442)	(197,424)	(61,285)
		(4,317,870)	(4,149,148)	(4,108,618)
Net Result Excluding Rates		(1,899,591)	(46,326)	(1,438,750)
Adjustments for Cash Budget Requirements:				
(Profit)/Loss on Asset Disposals	20	62,659	(205,464)	69,081
Movement in Deferred Pensioner Rates (Non-Current)		(901)	0	(859)
Movement in Employee Benefit Provisions (Non-current)		(12,512)	0	20,268
Depreciation and Amortisation on Assets	2(a)	1,231,943	1,097,700	1,316,434
Capital Expenditure and Revenue				
Purchase Land and Buildings	6(a)	0	(2,024,713)	(23,437)
Purchase Furniture and Equipment	6(a)	0	(14,000)	(880)
Purchase Plant and Equipment	6(a)	(543,710)	(643,000)	(397,478)
Purchase Roads	7(a)	(998,559)	(1,418,605)	(1,542,796)
Purchase Infrastructure Other	7(a)	(235,286)	(416,975)	(413,214)
Proceeds from Disposal of Fixed Assets	20	202,454	392,000	126,480
Repayment of Debentures	21(a)	(39,970)	(58,033)	(61,454)
Proceeds from New Debentures	21(a)	0	600,000	0
Proceeds from Self Supporting Loans		0	0	0
Transfers to Reserves (Restricted Assets)	11	(245,031)	(404,000)	(296,859)
Transfers from Reserves (Restricted Assets)	11	580,000	680,000	192,150
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	367,189	557,972	1,290,031
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	392,101	0	642,707
Total Amount Raised from General Rate	22(a)	(1,923,416)	(1,903,444)	(1,803,990)

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 2014

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 also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

The preparation of a 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 Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19. 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 2014

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 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.

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

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

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

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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 Council 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.

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

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 Council 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.

Transitional Arrangements

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

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

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

Early Adoption of AASB 13 - Fair Value Measurement

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

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 Council.

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
gravel sheet	12 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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Depreciation (Continued)

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

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

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

When revalued assets are disposed of, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

Capitalisation Threshold

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

(g) Fair Value of Assets and Liabilities

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

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

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

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (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.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

Fair Value Hierarchy (Continued)

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 Council 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 Council are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of 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 Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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 at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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.

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 Council 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 non-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 2014

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 Council 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 Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

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

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (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 Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

Provision is made for the Council'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 Council'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 Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

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

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council 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 Council 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 Council, are classified as finance leases.

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

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (Continued)

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.

(o) Investment in Associates

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

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

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

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council 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 Council 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

The Shire of Kent have not been involved in any joint venture arrangements in this statement period.

(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.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Superannuation

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

(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 Council's operational cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Council'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 Council 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 2014

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 Council.

Management's assessment of the new and amended pronouncements that are relevant to the Council, 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	December 2013	1 January 2017	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 Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2013	1 January 2017	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).

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

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities] [AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128. It is not expected to have a significant impact on Council.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
This Standard is not expected to significantly impact the Council's financial statements.			
(w) New Accounting Standards and Interpretations for Application in Future Periods (Continued)			
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.
It is not expected to have a significant impact on Council.			
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.
It is not expected to have a significant impact on Council.			

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards. Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031. Part C of this standard makes consequential amendments to AASB 9 and numerous other standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.
[Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]			As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

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

(x) Adoption of New and Revised Accounting Standards

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

These new and revised standards were:

AASB 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

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

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

2. REVENUE AND EXPENSES	2014	2013	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the annual financial report	15,845	16,365	
Depreciation			
Non-Specialised Buildings	18,955	120,423	
Specialised Buildings	108,901	0	
Furniture and Equipment	1,177	16,506	
Plant and Equipment	218,078	326,741	
User Defined	0	0	
Roads	807,658	807,873	
Infrastructure Other	77,174	44,891	
	<u>1,231,943</u>	<u>1,316,434</u>	
Interest Expenses (Finance Costs)			
Debentures (<i>refer Note 21.(a)</i>)	52,415	26,548	
	<u>52,415</u>	<u>26,548</u>	
(ii) Crediting as Revenue:			
Other Revenue			
Other	29,049	68,553	
	<u>29,049</u>	<u>68,553</u>	
	2014	2014	2013
	Actual	Budget	Actual
	\$	\$	\$
Interest Earnings			
- Reserve Funds	51,708	62,465	65,858
- Other Funds	18,250	45,000	30,288
Other Interest Revenue (<i>refer note 26</i>)	6,407	6,800	5,449
	<u>76,365</u>	<u>114,265</u>	<u>101,595</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

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.

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.

COMMUNITY AMENITIES

Rubbish collection services, operation of tips, 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

TourThe 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 operation costs.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

2. REVENUE AND EXPENSES (Continued)

		Opening		Expended ⁽³⁾		Closing		Expended ⁽³⁾		Closing	
		Balance ⁽¹⁾	Balance ⁽¹⁾	2012/13	2012/13	Balance ⁽¹⁾	2013/14	Balance ⁽¹⁾	2013/14	Balance ⁽¹⁾	30/06/14
Grant/Contribution	Function/ Activity	1/07/12	Received ⁽²⁾	Expended ⁽³⁾	Received ⁽²⁾	Balance ⁽¹⁾	2013/14	30/06/14	Expended ⁽³⁾	Balance ⁽¹⁾	30/06/14
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Royalties for Regions 65% Non Op	Governance	91,971	0	(440,588)	0	(348,617)	0	(348,617)	0	0	(348,617)
Forward Capital Works Plan	Governance	16280	0	(16,280)	0	0	0	0	0	0	0
RLCIP Federal Grant	Governance	30000	0	0	0	30,000	0	30,000	0	0	30,000
Zero Waste Project (Phase 2)	Community Amenities	27522	0	0	0	27,522	0	27,522	0	0	27,522
Park Upgrade Pingrup (RLCIP/2)	Rec & Culture	646	0	0	0	646	0	646	0	0	646
Park Upgrade Nyabing (RLCIP/2)	Rec & Culture	3719	0	0	0	3,719	0	3,719	0	0	3,719
Town Enhancement Program	Rec & Culture	0	0	0	0	0	0	0	0	0	0
MIRWA Direct Grant	Transport	0	116,901	(116,901)	125,227	0	125,227	0	(125,227)	0	0
Regional Road Group	Transport	70,152	178,566	(384,080)	110,560	(135,362)	110,560	(135,362)	(187,794)	(212,596)	(212,596)
Roads to Recovery	Transport	170629	281,816	(325,813)	377,481	126,632	377,481	126,632	(354,878)	149,235	149,235
2011/12 Black Spot	Transport	0	60,108	(72,721)	33,977	(12,613)	33,977	(12,613)	(89,795)	(68,431)	(68,431)
Total		410,919	637,391	(1,356,383)	647,245	(308,073)	647,245	(308,073)	(757,694)	(418,522)	(418,522)

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 2014

	Note	2014 \$	2013 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		554,182	527,190
Restricted		1,295,364	1,630,332
		<u>1,849,546</u>	<u>2,157,522</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Employee Entitlements Reserve	11	153,359	148,088
Plant Reserve	11	288,566	355,898
Building Reserve	11	141,507	276,659
Nyabing Recreation reserve	11	128,446	119,203
Pingrup Recreation Reserve	11	34,778	27,789
Cemetery Reserve	11	24,819	18,171
Water Supply Reserve	11	1,594	1,539
Sewerage Reserve	11	27,148	26,215
Computer Equipment Reserve	11	16,794	16,217
Administration Vehicles Reserve	11	90,786	97,322
Refuse Disposal Reserve	11	31,897	30,801
Road Reserve	11	355,670	512,432
Unspent Grants	2(c)	(418,522)	(308,073)
Unspent Loans	21(c)	0	0
		<u>876,842</u>	<u>1,322,261</u>
4. TRADE AND OTHER RECEIVABLES			
Current			
Rates Outstanding		34,618	24,082
Sundry Debtors		43,595	89,596
GST Receivable		14,123	47,864
		<u>92,335</u>	<u>161,542</u>
Non-Current			
Rates Outstanding - Pensioners		5,903	5,002
		<u>5,903</u>	<u>5,002</u>
5. INVENTORIES			
Current			
Fuel and Materials		62,903	55,706
		<u>62,903</u>	<u>55,706</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014 \$	2013 \$
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold Land at:		
- Independent Valuation 2014	401,800	0
- Cost	0	48,264
- User Defined	0	0
	401,800	48,264
Total Land	401,800	48,264
Non-Specialised Buildings at:		
- Independent Valuation 2014	4,617,649	0
- Cost	0	3,492,101
Less: Accumulated Depreciation	0	(1,153,286)
	4,617,649	2,338,815
Specialised Buildings at:		
- Independent Valuation 2014	3,595,000	0
- Cost	0	732,638
Less: Accumulated Depreciation	0	(433,100)
	3,595,000	299,538
Total Buildings	8,212,649	2,638,353
Total Land and Buildings	8,614,449	2,686,617
Furniture and Equipment at:		
- Independant Valuation 2013	5,000	5,000
- Additions after Valuation - Cost	16,262	0
Less Accumulated Depreciation	(11,899)	0
	9,363	5,000
Plant and Equipment at:		
- Independant Valuation 2013	2,039,800	2,287,300
- Additions after Valuation - Cost	543,710	0
Less Accumulated Depreciation	(203,719)	0
	2,379,791	2,287,300
	11,003,603	4,978,917

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and Buildings:

The Shire's land and buildings were revalued at 30 June 2014 by independent valuers.

In relation to land and a majority of non-specialised buildings, valuations were made on the basis of observable open market values of similar assets, adjusted for conditions and comparability, at their highest and best use (Level 2 inputs in the fair value hierarchy).

With regard to specialised buildings, these were valued having regard for their current replacement cost utilising both observable and unobservable inputs being construction costs based on recent contract prices, current condition (Level 2 inputs), residual values and remaining useful life (Level 3 inputs).

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

These Level 3 inputs are based on assumptions with regard 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.

The revaluation resulted in an overall increase of \$6,363,212 in the net value of the Shire's land and buildings. All of this increase was credited to the revaluation surplus in the Shire's equity (refer Note 14(a) for further details) and was recognised as Changes on Revaluation of non-current Assets in the Statement of Comprehensive Income.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Movement in Asset Class \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land (Level 2)	48,264	0	(770)	365,226	(10,920)	0	401,800
Total Land	48,264	0	(770)	365,226	(10,920)	0	401,800
Non-Specialised Buildings (Level 2 & 3)	2,338,815	0	(31,202)	2,683,568	(354,577)	(18,955)	4,617,649
Specialised Buildings (Level 3)	299,538	0	0	3,314,417	89,946	(108,901)	3,595,000
Total Buildings	2,638,353	0	(31,202)	5,997,985	(264,631)	(127,856)	8,212,649
Total Land and Buildings	2,686,617	0	(31,972)	6,363,211	(275,551)	(127,856)	8,614,449
Furniture and Equipment (Level 3)	5,000	0	0	0	5,540	(1,177)	9,363
Plant and Equipment (Level 2)	2,287,300	543,710	(233,141)	0	0	(218,078)	2,379,791
Total Property, Plant and Equipment	4,978,917	543,710	(265,113)	6,363,211	(270,011)	(347,111)	11,003,603

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	\$	\$
7. INFRASTRUCTURE		
Roads		
- Cost	48,080,018	47,081,459
Less Accumulated Depreciation	<u>(17,542,060)</u>	<u>(16,734,401)</u>
	30,537,958	30,347,058
Infrastructure Other		
- Cost	2,750,449	2,016,980
Less Accumulated Depreciation	<u>(791,225)</u>	<u>(485,880)</u>
	1,959,224	1,531,100
	<u><u>32,497,182</u></u>	<u><u>31,878,158</u></u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013
	\$	\$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	40,066	24,730
Accrued Interest on Debentures	13,089	(961)
Accrued Salaries and Wages	0	32,550
ATO Liabilities	27,490	22,429
Excess Rates	0	4,657
GST	0	18,325
	<u>80,645</u>	<u>101,730</u>

9. LONG-TERM BORROWINGS

Current		
Secured by Floating Charge Debentures	<u>42,623</u>	<u>39,701</u>
	<u>42,623</u>	<u>39,701</u>
Non-Current		
Secured by Floating Charge Debentures	<u>513,725</u>	<u>556,617</u>
	<u>513,725</u>	<u>556,617</u>

Additional detail on borrowings is provided in Note 21.

10. PROVISIONS

Analysis of Total Provisions

Current	236,675	275,517
Non-Current	24,964	37,478
	<u>261,639</u>	<u>312,995</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2013	156,676	156,319	312,995
Additional provision	89,587	(11,003)	78,584
Amounts used	(112,848)	(17,092)	(129,940)
Balance at 30 June 2014	<u>133,415</u>	<u>128,224</u>	<u>261,639</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	148,088	148,088	141,964
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	5,271	5,500	6,124
Amount Used / Transfer from Reserve	0	0	0
	<u>153,359</u>	<u>153,588</u>	<u>148,088</u>
(b) Plant Reserve			
Opening Balance	355,898	355,898	288,454
Amount Set Aside / Transfer to Reserve	150,000	150,000	175,000
Transfer of Interest to Reserve	12,668	12,000	12,444
Amount Used / Transfer from Reserve	(230,000)	(230,000)	(120,000)
	<u>288,566</u>	<u>287,898</u>	<u>355,898</u>
(c) Building Reserve			
Opening Balance	276,659	276,659	265,218
Amount Set Aside / Transfer to Reserve	0	200,000	0
Transfer of Interest to Reserve	9,848	11,000	11,441
Amount Used / Transfer from Reserve	(145,000)	(300,000)	0
	<u>141,507</u>	<u>187,659</u>	<u>276,659</u>
(d) Sewerage Reserve			
Opening Balance	119,203	119,203	104,687
Amount Set Aside / Transfer to Reserve	5,000	25,000	10,000
Transfer of Interest to Reserve	4,243	4,200	4,516
Amount Used / Transfer from Reserve	0	0	0
	<u>128,446</u>	<u>148,403</u>	<u>119,203</u>
(e) Nyabing Recreation Reserve			
Opening Balance	27,789	27,789	44,854
Amount Set Aside / Transfer to Reserve	6,000	6,000	6,000
Transfer of Interest to Reserve	989	1,000	1,935
Amount Used / Transfer from Reserve	0	0	(25,000)
	<u>34,778</u>	<u>34,789</u>	<u>27,789</u>
(f) Pingrup Recreation Ground Reserve			
Opening Balance	18,172	18,171	7,792
Amount Set Aside / Transfer to Reserve	6,000	3,000	10,000
Transfer of Interest to Reserve	647	300	380
Amount Used / Transfer from Reserve	0	0	0
	<u>24,819</u>	<u>21,471</u>	<u>18,172</u>
(g) Computer Equipment Reserve			
Opening Balance	1,539	1,539	1,475
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	55	65	64
Amount Used / Transfer from Reserve	0	0	0
	<u>1,594</u>	<u>1,604</u>	<u>1,539</u>
(h) Water Provision Reserve			
Opening Balance	26,215	26,215	25,131
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	933	1,000	1,084
Amount Used / Transfer from Reserve	0	0	0
	<u>27,148</u>	<u>27,215</u>	<u>26,215</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014 \$	2014 Budget \$	2013 \$
11. RESERVES - CASH BACKED (continued)			
(i) Cemetery Reserve			
Opening Balance	16,218	16,218	15,546
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	577	600	671
Amount Used / Transfer from Reserve	0	0	0
	<u>16,795</u>	<u>16,818</u>	<u>16,217</u>
(j) Refuse Disposal Facility Reserve			
Opening Balance	97,322	97,322	93,297
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	3,464	4,000	4,025
Amount Used / Transfer from Reserve	(10,000)	(30,000)	0
	<u>90,786</u>	<u>71,322</u>	<u>97,322</u>
(k) Admin Vehicle Reserve			
Opening Balance	30,800	30,800	45,968
Amount Set Aside / Transfer to Reserve	20,000	20,000	30,000
Transfer of Interest to Reserve	1,096	1,800	1,983
Amount Used / Transfer from Reserve	(20,000)	(20,000)	(47,150)
	<u>31,896</u>	<u>32,600</u>	<u>30,801</u>
(l) Road Reserve			
Opening Balance	512,431	512,431	491,239
Amount Set Aside / Transfer to Reserve	0	0	0
Transfer of Interest to Reserve	18,240	21,000	21,192
Amount Used / Transfer from Reserve	(175,000)	(100,000)	0
	<u>355,671</u>	<u>433,431</u>	<u>512,431</u>
TOTAL RESERVES	<u>1,295,365</u>	<u>1,416,798</u>	<u>1,630,334</u>
Total Opening Balance	1,630,334	1,630,333	1,525,625
Total Amount Set Aside / Transfer to Reserve	245,031	466,465	296,859
Total Amount Used / Transfer from Reserve	(580,000)	(617,535)	(192,150)
TOTAL RESERVES	<u>1,295,365</u>	<u>1,479,263</u>	<u>1,630,334</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.

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

11. RESERVES - CASH BACKED (continued)

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

(a) Employee Entitlements Reserve

- to be used to fund employee leave entitlements.

(b) Plant Reserve

- to be used for the purchase of major plant.

(c) Building Reserve

- to be used for the construction and/or capital maintenance of building infrastructure development and for land acquisition.

(d) Sewerage Reserve

- to be used for upgrading and/or major maintenance of town sewerage schemes.

(e) Nyabing Recreation Reserve

- to be used for the upgrading of sporting facilities in Nyabing.

(f) Pingrup Recreation Ground Reserve

- to be used for the upgrading of sporting facilities in Pingrup.

(g) Computer Equipment Reserve

- to be used for upgrading the main administration computer system and software.

(h) Water Provision Reserve

- to be used providing water services to rural areas of the Shire.

(i) Cemetery Reserve

- to be used the upgrading of the Nyabing and Pingrup Cemeteries.

(j) Refuse Disposal Facility Reserve

- to be used for a transfer station to be placed at the Pingrup rubbish site.

(k) Admin Vehicle Reserve

- to be used for future vehicle changeovers for the CEO, DCEO and Works Supervisors.

(l) Road Reserve

- to be used for capital works on roads within the Shire of Kent for future years.

The Employee Entitlements, Plant, Land and Buildings, Nyabing Recreation, Pingrup Recreation, Cemetery, Water Supply, Sewerage, Administration Vehicles, Refuse Disposal Facilities and Roads Reserves are not expected to be used within a set period as further transfers to the Reserve Accounts are expected as funds are utilised.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

12. REVALUATION SURPLUS	2014	2013
	\$	\$
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
(a) Land & Buildings		
Opening Balance	0	0
Revaluation Increment	6,634,684	394,700
Revaluation Decrement	<u>(271,472)</u>	<u>(394,700)</u>
	<u>6,363,212</u>	<u>0</u>
(b) Plant & Equipment		
Opening Balance	62,545	0
Revaluation Increment	(0)	62,545
Revaluation Decrement		
	<u>62,545</u>	<u>62,545</u>
(c) Roads		
Opening Balance	11,107,636	0
Revaluation Increment	0	11,107,636
Revaluation Decrement		
	<u>11,107,636</u>	<u>11,107,636</u>
 TOTAL ASSET REVALUATION SURPLUS	 <u>17,533,392</u>	 <u>11,170,181</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>1,849,546</u>	<u>1,464,735</u>	<u>2,157,522</u>

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

Net Result	23,825	1,857,118	365,240
Depreciation	1,231,943	1,097,700	1,316,434
(Profit)/Loss on Sale of Asset	62,659	(205,464)	69,081
(Increase)/Decrease in Receivables	68,305	178,162	175,977
(Increase)/Decrease in Inventories	(7,200)	5,706	2,134
Increase/(Decrease) in Payables	(21,085)	(2,658)	(179,870)
Increase/(Decrease) in Employee Provisions	(51,352)	(8,479)	35,547
Grants Contributions for the Development of Assets	(522,018)	(1,676,323)	(520,490)
Loss on Revaluation of Fixed Assets	0		
Non-Current Assets recognised due to changes in legislative requirements	0	0	0
Net Cash from Operating Activities	<u>785,077</u>	<u>1,245,762</u>	<u>1,264,053</u>

	2014 \$	2013 \$
(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	0	0
Total Amount of Credit Unused	<u>108,000</u>	<u>108,000</u>
Loan Facilities		
Loan Facilities - Current	42,623	39,701
Loan Facilities - Non-Current	513,725	556,617
Total Facilities in Use at Balance Date	<u>556,348</u>	<u>596,318</u>
Unused Loan Facilities at Balance Date	<u>NIL</u>	<u>NIL</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

14. CONTINGENT LIABILITIES

The Shire of Kent has no contingent assets and contingent liabilities as at 30 June 2014.

15. CAPITAL AND LEASING COMMITMENTS

The Shire of Kent has no finance and operating lease commitments as at 30 June 2014.

16. JOINT VENTURE ARRANGEMENTS

The Shire of Kent has no joint venture arrangements as at 30 June 2014.

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2014	2013
	\$	\$
Governance	591,267	1,164
Law, Order, Public Safety	133,581	118,134
Housing	1,925,000	1,244,526
Community Amenities	476,425	554,815
Recreation and Culture	5,952,258	1,688,244
Transport	30,742,958	30,625,602
Economic Services	402,665	268,637
Other Property and Services	2,909,185	2,387,970
Unallocated	2,378,133	2,347,755
	<u>45,511,472</u>	<u>39,236,847</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

	2014	2013	2012
18. FINANCIAL RATIOS			
Current Ratio	3.43	1.785	2.49
Asset Sustainability Ratio	1.44	1.806	NA
Debt Service Cover Ratio	8.51	13.496	0.03
Operating Surplus Ratio	(0.17)	0.155	NA
Own Source Revenue Coverage Ratio	0.66	0.647	NA

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 56 of this document.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

19. TRUST FUNDS

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

	Balance 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Housing Bonds	2,190	2,542	(1,240)	3,492
Nomination Deposits	0	400	(400)	0
Trust Other	178	120	(120)	178
BCITF & BRB Levy	0	1,546	(1,546)	0
	<u>2,368</u>			<u>3,670</u>

20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing						
5 George Street	0	0	0	100,000	0	100,000
74 Reid Street	0	5,416	0	100,000	0	94,584
Transport						
Toyota Prado (OKT)	45,689	51,351	41,818	44,000	(3,871)	(7,351)
Holden Colorado Utility (50KT)	26,323	35,000	29,091	30,000	2,768	(5,000)
Mitsubishi Triton Utility (KT003)	13,920	12,741	9,864	12,000	(4,056)	(741)
Mitsubishi Triton Utility (KT014)	18,802	12,736	13,818	12,000	(4,984)	(736)
Mitsubishi Triton Utility (KT017)	14,848	12,722	10,000	12,000	(4,848)	(722)
Mitsubishi Triton Utility (KT020)	14,384	17,768	10,000	12,000	(4,384)	(5,768)
John Deere Grader (KT027)	99,175	30,000	81,000	60,000	(18,175)	30,000
Ride on Mower	0	8,802	0	10,000	0	1,198
Bowling Green	485	0	0	0	(485)	0
Residential Additions	354	0	0	0	(354)	0
Mercedes Benz Truck	0	0	6,863	0	6,863	0
Pingrup Catchment	285	0	0	0	(285)	
Other Property and Services						
Pingrup General Store	30,848	0	0	0	(30,848)	0
	265,113	186,536	202,454	392,000	(62,659)	205,464

Profit	9,631	205,464
Loss	(72,290)	0
	<u>(62,659)</u>	<u>205,464</u>

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Particulars								
Housing								
Loan 91 - Various Duplexes	523,409		34,046	34,046	489,363	489,363	44,946	32,962
Loan 92 - Housing	0		0	18,063	0	431,937	0	10,126
Community Amenities								
Loan 54 - Nyabing Effluent	29,968		1,698	1,698	28,270	28,270	3,409	2,630
Other Property and Services								
Loan 88 - Nyabing Store	42,941		4,226	4,226	38,715	41,416	4,060	2,774
	596,318	0	39,970	58,033	556,348	990,986	52,415	48,492

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

(b) New Debentures - 2013/14

The Shire did not take up any new debentures during the year ended 30 June 2013.

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2013.

(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 2013 and 30 June 2014 was \$nil.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR

(a) Rates	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 \$
General Rates											
GRV - Residential/Commercial	0.118861	78	468,138	50,814	0	0	50,814	52,171	0	0	52,171
UV - Rural	0.101970	368	180,114,212	1,830,502	(377)	50	1,830,175	1,832,023	0	0	1,830,362
UV - Mining	0.101970	3					0				1,661
Sub-Totals		449	180,582,350	1,881,316	(377)	50	1,880,989	1,884,194	0	0	1,884,194
Minimum Payment	\$										
GRV - Residential/Commercial	385	23					6,545	6,545	0	0	6,545
UV - Rural	385	8					2,310	2,310	0	0	2,310
Mining	385	19					3,080	3,080	0	0	3,080
Sub-Totals		50	0	0	0	0	19,250	19,250	0	0	19,250
Ex-Gratia Rates							1,900,239				1,903,444
Discounts (refer note 25.)							23177				0
Total Amount Raised From General Rate							1,923,416				1,903,444
Specified Area Rate (refer note 23.)							29,850				28,297
Totals							1,953,266				1,931,741

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2014 (30 June 2014 Carried Forward)	2014 (1 July 2013 Brought Forward)	2013 (30 June 2013 Carried Forward)
	\$	\$	\$
Surplus/(Deficit) 1 July 13 Brought Forward	<u>392,101</u>	<u>367,189</u>	<u>642,709</u>
Comprises:			
Cash and Cash Equivalents			
Unrestricted	554,182	527,190	527,190
Restricted	1,295,364	1,630,332	1,630,332
Receivables			
Rates Outstanding	34,618	24,082	24,082
Sundry Debtors	43,595	89,596	89,596
GST Receivable	14,123	47,864	47,864
Inventories			
Fuel and Materials	62,903	55,706	55,706
Less:			
Trade and other Payables			
Sundry Creditors	(40,066)	(24,730)	(70,141)
Accrued Interest on Debentures	(13,089)	961	961
Accrued Salaries and Wages	0	(32,550)	(32,550)
ATO Liabilities	(27,490)	(22,429)	0
Excess Rates	0	(4,657)	(4,657)
GST	0	(18,325)	(18,325)
Current Portion of Long Term Borrowings			
Secured by Floating Charge Debentures	(42,623)	(39,701)	(39,701)
Provisions			
Provision for Annual Leave	(133,415)	(156,676)	(156,676)
Provision for Long Service Leave	(103,260)	(118,841)	(118,841)
Net Current Assets	<u>1,644,842</u>	<u>1,957,822</u>	<u>1,934,840</u>
Less:			
Reserves - Restricted Cash	(1,295,364)	(1,630,334)	(1,630,334)
Add:			
Secured by Floating Charge Debentures	42,623	39,701	39,701
Surplus/(Deficit)	<u>392,101</u>	<u>367,189</u>	<u>344,207</u>

Difference

The difference between the closing position as disclosed in the 2013 audited financial statement and the carried forward position in the 2014 audited financial statement relates to the inclusion of employee provisions as a liability in 2013/2014.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

33. FINANCIAL RISK MANAGEMENT

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

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

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

The Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	1,849,546	2,157,522	1,849,546	2,157,523
Receivables	98,238	166,544	98,238	166,544
	<u>1,947,784</u>	<u>2,324,066</u>	<u>1,947,784</u>	<u>2,324,067</u>
Financial Liabilities				
Payables	80,645	101,730	80,645	101,730
Borrowings	556,348	596,318	395,181	596,318
	<u>636,993</u>	<u>698,048</u>	<u>475,826</u>	<u>698,048</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
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33. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

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

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

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

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

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2014	2013
	\$	\$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	994	1,798
- Statement of Comprehensive Income	994 ⁽²⁾	1,798 ^(*)

Notes:

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

⁽²⁾ Maximum impact.

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

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

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

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

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

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

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

	2014	2013
Percentage of Rates and Annual Charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Other Receivables		
- Current	93.62%	96.36%
- Overdue	6.38%	3.64%

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

33. FINANCIAL RISK MANAGEMENT (Continued)
(c) Payables
Borrowings

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

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

	2014	2013
	Due within 1 year \$ Due between 1 & 5 years \$ Due after 5 years \$ Total contractual cash flows \$ Carrying values \$	Due within 1 year \$ Due between 1 & 5 years \$ Due after 5 years \$ Total contractual cash flows \$ Carrying values \$
Payables	80,645	0
Borrowings	78,336	70,141
	158,981	148,477
	0	0
	296,671	370,651
	296,671	370,651
	80,645	70,141
	766,687	840,668
	847,332	910,809
	80,645	101,730
	556,348	596,318
	636,993	698,048

SHIRE OF KENT
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2014

33. 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. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

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

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate %
	\$	\$	\$	\$	\$	\$	\$	
Year Ended 30 June 2014								
Borrowings								
Fixed Rate								
Debentures	0	0	0	0	28,270	528,078	556,348	6.45%
Weighted Average Effective Interest Rate					8.90%	6.32%		
Year Ended 30 June 2013								
Borrowings								
Fixed Rate								
Debentures	0	0	0	0	0	596,318	596,318	6.54%
Weighted Average Effective Interest Rate								

**SHIRE OF KENT
SUPPLEMENTARY RATIO INFORMATION
FOR THE YEAR ENDED 30TH JUNE 2014**

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

	2014	2013	2012
Asset Consumption Ratio	0.699	0.662	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 $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

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

** 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.

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 2014 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 Waldoock B Bus CPA • Roger Thomson B.Bus CA
ASSOCIATES: Ian Jones B.Com CPA • Lea Williams B.Com CA • Brant Jansen B Bus CPA • Ryan Naughton B Com CPA • Tony Umbrello B.Bus CA

Liability limited by a scheme approved under Professional Standards Legislation

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 became aware of the following matters which did not comply with the Local Government (Financial Management) Regulations 1996 (as amended) or the Local Government Act 1995 (as amended).

Acceptance of the 2013 Annual Financial Report

We note that the annual financial report for the 2013 financial year had not been accepted by council within the timeframes required under Part 5; Division 5; Section 5.54 of the Local Government Act 1995 .

The Act requires the annual financial report to be received and accepted no later than 31 December 2013 or 60 days after the auditor's report becomes available during the financial year.

Electors General Meeting

We note that a general meeting of electors relating to the 2013 financial year was not held until 20 October 2014 due to the delay experienced in completing the 2013 annual financial report. This represents a breach of Part 5; Division 2; Section 5.27 of the Local Government Act 1995.

Auditor's Opinion

In our opinion, other than the matters noted above:

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 2014 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 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).



LEANNE OLIVER RCA
Director

BYFIELDS
BELMONT WA

Date: 4/12/2014