



Annual Financial Statement

For the year ended 30 June 2013

Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*A Municipality working together for a
healthy, sustainable & caring community*



Kiama Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Kiama Municipal Council.

(ii) Kiama Municipal Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 30/10/13.
Council has the power to amend and reissue these financial statements.

Kiama Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

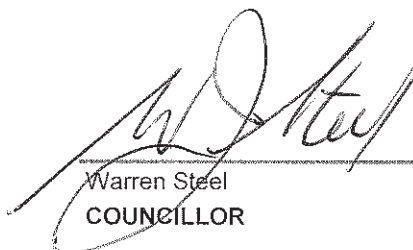
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

We are not aware of any matter that would render the Reports false or misleading in any way.

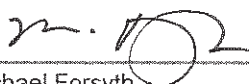
Signed in accordance with a resolution of Council made on 17 September 2013.



Brian Petschler
MAYOR



Warren Steel
COUNCILLOR



Michael Forsyth
GENERAL MANAGER



Phillip Mison
RESPONSIBLE ACCOUNTING OFFICER

Kiama Municipal Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013 \$ '000		Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
16,434	Rates & Annual Charges	3a	16,428	15,435
13,772	User Charges & Fees	3b	14,031	14,067
1,330	Interest & Investment Revenue	3c	1,724	1,484
2,128	Other Revenues	3d	6,453	6,357
9,533	Grants & Contributions provided for Operating Purposes	3e,f	10,289	10,968
564	Grants & Contributions provided for Capital Purposes	3e,f	617	833
Other Income:				
2,791	Net gains from the disposal of assets	5	3,115	2,613
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	152	-
46,552	Total Income from Continuing Operations		52,809	51,757
Expenses from Continuing Operations				
21,043	Employee Benefits & On-Costs	4a	22,144	20,420
407	Borrowing Costs	4b	345	329
14,278	Materials & Contracts	4c	15,575	15,355
7,934	Depreciation & Amortisation	4d	7,963	7,871
-	Impairment	4d	-	-
3,502	Other Expenses	4e	3,254	3,146
47,164	Total Expenses from Continuing Operations		49,281	47,121
(612)	Operating Result from Continuing Operations		3,528	4,636
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(612)	Net Operating Result for the Year		3,528	4,636
(612)	Net Operating Result attributable to Council		3,528	4,636
-	Net Operating Result attributable to Non-controlling Interests		-	-
(1,176)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		2,911	3,803

(1) Original Budget as approved by Council - refer Note 16

Kiama Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		3,528	4,636
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	19,003	-
Total Items which will not be reclassified subsequently to the Operating Result		19,003	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other Movements in reserves	20b (ii)	-	4
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	4
Total Other Comprehensive Income for the year		19,003	4
Total Comprehensive Income for the Year		22,531	4,640
Total Comprehensive Income attributable to Council		22,531	4,640
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Kiama Municipal Council

Statement of Financial Position as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	1,651	1,829
Investments	6b	30,747	25,018
Receivables	7	2,911	2,156
Inventories	8	1,571	2,632
Other	8	7	7
Non-current assets classified as "held for sale"	22	3,562	3,525
Total Current Assets		40,449	35,167
Non-Current Assets			
Investments	6b	-	-
Receivables	7	718	804
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	296,075	279,514
Investments accounted for using the equity method	19	152	-
Investment Property	14	80,546	78,647
Intangible Assets	25	2,400	2,400
Total Non-Current Assets		379,891	361,365
TOTAL ASSETS		420,340	396,532
LIABILITIES			
Current Liabilities			
Payables	10	63,032	63,753
Borrowings	10	907	727
Provisions	10	5,852	5,537
Total Current Liabilities		69,791	70,017
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	5,335	3,832
Provisions	10	-	-
Total Non-Current Liabilities		5,335	3,832
TOTAL LIABILITIES		75,126	73,849
Net Assets		345,214	322,683
EQUITY			
Retained Earnings	20	148,934	145,406
Revaluation Reserves	20	196,280	177,277
Council Equity Interest		345,214	322,683
Non-controlling Interests		-	-
Total Equity		345,214	322,683

Kiama Municipal Council

Statement of Changes in Equity for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		145,406	177,277	322,683	-	322,683
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		145,406	177,277	322,683	-	322,683
c. Net Operating Result for the Year		3,528	-	3,528	-	3,528
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	19,003	19,003	-	19,003
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	19,003	19,003	-	19,003
Total Comprehensive Income (c&d)		3,528	19,003	22,531	-	22,531
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		148,934	196,280	345,214	-	345,214

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		140,766	177,277	318,043	-	318,043
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		140,766	177,277	318,043	-	318,043
c. Net Operating Result for the Year		4,636	-	4,636	-	4,636
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	4	-	4	-	4
Other Comprehensive Income		4	-	4	-	4
Total Comprehensive Income (c&d)		4,640	-	4,640	-	4,640
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		145,406	177,277	322,683	-	322,683

Kiama Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
16,434	Rates & Annual Charges		16,519	15,358
13,772	User Charges & Fees		15,079	15,187
1,330	Investment & Interest Revenue Received		1,444	1,585
10,097	Grants & Contributions		11,265	12,226
-	Bonds, Deposits & Retention amounts received		-	264
858	Other		5,122	5,201
Payments:				
(21,043)	Employee Benefits & On-Costs		(22,685)	(21,186)
(14,277)	Materials & Contracts		(17,039)	(16,256)
(407)	Borrowing Costs		(345)	(329)
-	Bonds, Deposits & Retention amounts refunded		(3)	-
(3,502)	Other		(4,367)	(4,590)
3,262	Net Cash provided (or used in) Operating Activities	11b	4,990	7,460
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		24,085	20,380
2,255	Sale of Real Estate Assets		4,295	3,845
1,432	Sale of Infrastructure, Property, Plant & Equipment		919	838
Payments:				
-	Purchase of Investment Securities		(29,541)	(23,257)
(6,900)	Purchase of Infrastructure, Property, Plant & Equipment		(6,190)	(6,176)
(108)	Purchase of Real Estate Assets		(419)	(475)
-	Other Investing Activity Payments		-	(3,229)
(3,321)	Net Cash provided (or used in) Investing Activities		(6,851)	(8,074)
Cash Flows from Financing Activities				
Receipts:				
2,553	Proceeds from Borrowings & Advances		2,553	-
Payments:				
(914)	Repayment of Borrowings & Advances		(870)	(1,120)
1,639	Net Cash Flow provided (used in) Financing Activities		1,683	(1,120)
1,580	Net Increase/(Decrease) in Cash & Cash Equivalents		(178)	(1,734)
1,500	plus: Cash & Cash Equivalents - beginning of year	11a	1,829	3,563
3,080	Cash & Cash Equivalents - end of the year	11a	1,651	1,829
Additional Information:				
	plus: Investments on hand - end of year	6b	30,747	25,018
	Total Cash, Cash Equivalents & Investments		32,398	26,847

Please refer to Note 11 for additional cash flow information

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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n/a - not applicable

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

Critical judgements in applying the entity's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of Infrastructure, Property, Plant and Equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Waste Business Unit
- Kiama Coast Holiday Parks
- Blue Haven Retirement Village
- Kiama Leisure Centre

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) Joint Ventures

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are “held for trading”.

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(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.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates

of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. 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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.

- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Vehicles/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

- Drains	100 years
- Culverts	60 years
- Flood Control Structures	100 years

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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 – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(m) Intangible Assets

Bed Licences

Council owns and operates Blue Haven Retirement Village which includes independent living units, a nursing home and hostel. Bed licences are granted by the Federal Department of Health & Ageing in perpetuity and their useful life is considered to be indefinite. As a result, licenses are not amortised but are subject to an annual impairment assessment.

The Licences issued by the Department of Health & Ageing are issued for no consideration and are recognised in Council's books at fair value, if and only if, it is probable that the future economic benefits attributable to the bed licences will flow to Council and the fair value of bed licences can be measured reliably – refer Note 25.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for 3 of Council's Investment Properties was dated 30/06/2012. The last full revaluation for Blue Haven Retirement Village was dated 30/06/2011.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Martin Stevenson (BSc, FIA, FIAA) on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 the prior period deficit still exists.

Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$588,762.

The amount of additional contributions included in the total employer contribution advised above is \$231,114.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,074,528 as at 30 June 2013.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as 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.

Exceptions

In the case of liabilities where 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.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

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

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address 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.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (x) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Refundable Residential Aged Care Accommodation Bonds

Incoming residents entering Council's low care facility may be required to pay an accommodation bond for the purpose of occupancy of units which may be for a number of years. Bonds are non interest bearing.

Departing resident's accommodation bonds become payable by Council on departure of the resident. As the Council does not have an unconditional right to defer refunds to residents for 12 months, the total resident obligation is disclosed as a current liability. This is also in line with industry practice in accounting for retirement villages. The liability is measured at the amount that would be payable on the departure of the resident.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(af) Retirement Village Loan Licence Agreements

Incoming residents entering Council's independent living units are required to pay a licence fee to Council for the right to occupy the unit. The loans are non-interest bearing.

Departing residents loans become payable by the Council on departure of the resident. As the Council does not have unconditional right to defer repayment of loans to residents for 12 months, the total resident loan obligation is disclosed as a current liability. This is also in line with industry practice in accounting for retirements villages. The liability is measured at the amount that would be payable on the departure of the resident.

(ag) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	-	2	-	360	1,291	1,145	(360)	(1,289)	(1,145)	-	-	-	249
Corporate Services	659	1,448	2,990	7,972	7,824	7,080	(7,313)	(6,376)	(4,090)	345	1,080	36,628	30,334
Community Services	3,641	3,917	3,886	4,659	4,961	4,706	(1,018)	(1,044)	(820)	3,339	3,391	874	737
Environmental Services	4,799	4,882	4,171	3,378	3,370	3,298	1,421	1,512	873	40	17	1,381	1,265
Engineering & Works	2,252	4,264	2,820	15,072	16,009	15,188	(12,820)	(11,745)	(12,368)	651	282	267,452	256,801
Commercial Activities	20,030	22,543	22,763	15,723	15,826	15,704	4,307	6,717	7,059	3,543	3,699	113,853	107,146
Total Functions & Activities	31,381	37,056	36,630	47,164	49,281	47,121	(15,783)	(12,225)	(10,491)	7,918	8,469	420,188	396,532
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	152	-	-	-	-	-	152	-	-	-	152	-
General Purpose Income ¹	15,171	15,601	15,127	-	-	-	15,171	15,601	15,127	1,581	1,850	-	-
Operating Result from Continuing Operations	46,552	52,809	51,757	47,164	49,281	47,121	(612)	3,528	4,636	9,499	10,319	420,340	396,532

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration

CORPORATE SERVICES

Corporate and other support, members services, risk management, tourism.

COMMUNITY SERVICES

Administration, community centre, youth services, aged and disabled, home nursing, family history centre, public libraries other community services.

ENVIRONMENTAL SERVICES

Administration, property maintenance, animal control, beach control, enforcement of local government regulations, food control, building control, waste management, public conveniences, public halls, immunisation, town planning, environmental protection.

ENGINEERING & WORKS

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks & gardens, private works, stormwater drainage, engineering support services.

COMMERCIAL ACTIVITIES

Caravan parks, real estate development, indoor sports complex, retirement village & waste unit.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		10,948	10,711
Farmland		628	626
Business		858	655
Total Ordinary Rates		12,434	11,992
Special Rates			
Tourism		210	205
Total Special Rates		210	205
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,571	3,034
Waste Management Services (non-domestic)		213	204
Total Annual Charges		3,784	3,238
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>16,428</u>	<u>15,435</u>

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		534	817
Total User Charges		534	817
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Services - Other		115	101
Inspection Services		24	27
Planning & Building Regulation		374	394
Private Works - Section 67		15	51
Registration Fees		33	39
Section 603 Certificates		40	35
Total Fees & Charges - Statutory/Regulatory		601	647
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Blue Haven Aged Care		2,447	2,303
Council Properties		606	454
Engineering Services		127	126
Holiday Parks		7,815	7,460
Illawarra Inhome Support		184	172
Leisure Centre		918	1,306
Library & Family History Centre		65	77
Public Cemeteries		301	170
Saddleback Mtn Tower		77	34
Waste Disposal Tipping Fees		145	289
Other		211	212
Total Fees & Charges - Other		12,896	12,603
TOTAL USER CHARGES & FEES		14,031	14,067

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		39	33
- Interest earned on Investments (interest & coupon payment income)		1,412	1,575
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		273	(124)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,724</u>	<u>1,484</u>

Interest Revenue is attributable to:

Unrestricted Investments/Financial Assets:

Overdue Rates & Annual Charges (General Fund)	39	33
General Council Cash & Investments	1,547	1,285

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	138	166

<u>Total Interest & Investment Revenue Recognised</u>	<u>1,724</u>	<u>1,484</u>
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(d) Other Revenues

Fair Value Adjustments - Investment Properties	14	1,899	1,879
Rental Income - Investment Properties	14	70	68
Rental Income - Other Council Properties		89	85
Fines - Parking		11	52
Fines - Other		43	67
Legal Fees Recovery - Other		14	2
Admin Sundry Income		65	51
Deferred Payment Liabilities Amortisation		2,655	3,302
Diesel Fuel Rebate		29	33
Engineering Income		43	54
Insurance Claim Recoveries		233	-
Motor Vehicle Leaseback		207	197
NBN Expo		-	47
Recycling Income (non domestic)		20	29
Section 88 Rebate		130	117
SES Storm Damage Recovery		617	-
Workers Comp. Refund		79	83
Other		249	291
<u>TOTAL OTHER REVENUE</u>		<u>6,453</u>	<u>6,357</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	1,345	1,622	-	-
Pensioners' Rates Subsidies - General Component	236	228	-	-
Total General Purpose	1,581	1,850	-	-
Specific Purpose				
Blue Haven Retirement Village	3,540	3,670	-	-
Bushfire & Emergency Services	152	177	-	-
CALD Case Management	-	27	-	-
Centre Based Day Care	37	38	-	-
Community Options Program	470	347	-	-
Community Transport	107	185	-	-
Cultural Development	90	82	-	-
Dementia Case Management	-	44	-	-
Domestic Assistance	431	559	-	-
HACC Transition Funding	70	-	-	-
Home Maintenance	182	138	-	-
Illawarra Inhome Support Program	1,458	1,456	-	-
Library	64	62	-	-
Library - special projects	-	99	-	-
NBN	332	444	-	-
Personal Care	19	14	-	-
Reserve Improvements	15	104	-	-
Respite Service	134	92	-	-
Road Safety Program	5	14	-	-
Social Support	168	134	-	-
Street Lighting	24	23	-	-
Traffic Facilities/Black Spot Program	-	-	113	367
Trainees	22	24	-	-
Transport	-	-	119	63
Transport (Roads to Recovery)	220	220	-	-
Other	146	86	-	-
Total Specific Purpose	7,686	8,039	232	430
Total Grants	9,267	9,889	232	430
Grant Revenue is attributable to:				
- Commonwealth Funding	5,786	5,346	-	-
- State Funding	3,481	4,543	232	430
	9,267	9,889	232	430

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	385	403
Total Developer Contributions 17	-	-	385	403
Other Contributions:				
Admin Support	143	78	-	-
Community Bus	31	32	-	-
Compacts	-	59	-	-
Insurance	43	94	-	-
LIRS Interest Subsidy	32	-	-	-
Recreation & Culture	37	-	-	-
RMS Contributions (Regional Roads, Block Grant)	667	763	-	-
Other	69	53	-	-
Total Other Contributions	1,022	1,079	-	-
Total Contributions	1,022	1,079	385	403
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>10,289</u>	<u>10,968</u>	<u>617</u>	<u>833</u>

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the Close of the Previous Reporting Period	4,390	4,297
add: Grants & contributions recognised in the current period but not yet spent:	749	1,846
less: Grants & contributions recognised in a previous reporting period now spent:	(2,034)	(1,753)
Net Increase (Decrease) in Restricted Assets during the Period	(1,285)	93
Unexpended and held as Restricted Assets	<u>3,105</u>	<u>4,390</u>
Comprising:		
- Specific Purpose Unexpended Grants	340	1,291
- Developer Contributions	2,765	3,099
	<u>3,105</u>	<u>4,390</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		16,821	16,013
Travelling		-	2
Employee Leave Entitlements (ELE)		2,100	1,934
Superannuation		1,888	1,825
Workers' Compensation Insurance		1,357	987
Fringe Benefit Tax (FBT)		38	24
Training Costs (other than Salaries & Wages)		116	89
Other		34	31
Total Employee Costs		22,354	20,905
less: Capitalised Costs		(210)	(485)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>22,144</u>	<u>20,420</u>
Number of "Equivalent Full Time" Employees at year end		257	255
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		241	155
Interest on Advances		101	171
Other Debts		3	3
Total Interest Bearing Liability Costs Expensed		345	329
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>345</u>	<u>329</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		10,814	11,579
Contractor & Consultancy Costs		4,516	3,551
Auditors Remuneration ⁽¹⁾		40	52
Legal Expenses:			
- Legal Expenses: Planning & Development		38	70
- Legal Expenses: Other		29	9
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		138	94
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>15,575</u>	<u>15,355</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		39	45
- Other audit & assurance service		1	7
Remuneration for audit and other assurance services		<u>40</u>	<u>52</u>
Total Auditor Remuneration		<u>40</u>	<u>52</u>
2. Operating Lease Payments are attributable to:			
Other		138	94
		<u>138</u>	<u>94</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,538	1,541
Office Equipment		-	-	166	151
Furniture & Fittings		-	-	130	122
Land Improvements (depreciable)		-	-	93	96
Buildings - Non Specialised		-	-	368	358
Buildings - Specialised		-	-	2,104	2,096
Other Structures		-	-	213	203
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	3,039	2,992
- Stormwater Drainage		-	-	268	268
Other Assets					
- Library Books		-	-	44	44
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	7,963	7,871

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy		192	167
- Crown Reserve Levy		306	321
Councillor Expenses - Mayoral Fee		21	22
Councillor Expenses - Councillors' Fees		90	87
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		168	58
Donations, Contributions & Assistance to other organisations (Section 356)		167	145
Electricity & Heating		730	620
Holiday Parks Promotion/Membership		185	128
Insurance		532	794
Kiama Tourism		240	235
Street Lighting		382	369
Telephone & Communications		202	177
Other		39	23
TOTAL OTHER EXPENSES		3,254	3,146

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	41
less: Carrying Amount of Property Assets Sold / Written Off		-	(35)
Net Gain/(Loss) on Disposal		-	6
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		919	797
less: Carrying Amount of P&E Assets Sold / Written Off		(632)	(438)
Net Gain/(Loss) on Disposal		287	359
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	(227)
Net Gain/(Loss) on Disposal		-	(227)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		4,295	3,845
less: Carrying Amount of Real Estate Assets Sold / Written Off		(1,467)	(1,370)
Net Gain/(Loss) on Disposal		2,828	2,475
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		24,085	20,380
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(24,085)	(20,380)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		3,115	2,613
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	124
- Net Gain/(Loss) from Financial Instruments designated "Held for Trading"		-	(124)
Net Gain/(Loss) on Disposal of Financial Instruments		-	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,651	-	1,624	-
Cash-Equivalent Assets ¹					
- Deposits at Call		-	-	205	-
Total Cash & Cash Equivalents		1,651	-	1,829	-
Investments (Note 6b)					
- Long Term Deposits		29,541	-	23,257	-
- CDO's		312	-	983	-
- FRN's (with Maturities > 3 months)		894	-	778	-
Total Investments		30,747	-	25,018	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS					
		32,398	-	26,847	-

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		1,651	-	1,829	-
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,206	-	1,761	-
b. "Held to Maturity"	6(b-ii)	29,541	-	23,257	-
Investments		30,747	-	25,018	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 6b. Investments (continued)

	2013	2013	2012	2012
	Actual	Actual	Actual	Actual
\$ '000	Current	Non Current	Current	Non Current

Note 6(b-i)

Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"

Balance at the Beginning of the Year	1,761	-	2,699	-
Revaluations (through the Income Statement)	273	-	(124)	-
Disposals (sales & redemptions)	(828)	-	(814)	-
Balance at End of Year	1,206	-	1,761	-

Comprising:

- CDO's	312	-	983	-
- FRN's (with Maturities > 3 months)	894	-	778	-
Total	1,206	-	1,761	-

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	23,257	-	19,566	-
Additions	29,541	-	23,257	-
Disposals (sales & redemptions)	(23,257)	-	(19,566)	-
Balance at End of Year	29,541	-	23,257	-

Comprising:

- Long Term Deposits	29,541	-	23,257	-
Total	29,541	-	23,257	-

Note 6(b-iii)

Reconciliation of Investments classified as "Loans & Receivables"

Nil

Note 6(b-iv)

Reconciliation of Investments classified as "Available for Sale"

Nil

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Total Cash, Cash Equivalents and Investments	32,398	-	26,847	-
attributable to:				
External Restrictions (refer below)	5,076	-	5,272	-
Internal Restrictions (refer below)	2,430	-	1,607	-
Unrestricted	24,892	-	19,968	-
	32,398	-	26,847	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	-	1,131	-	1,131
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External Restrictions - Included in Liabilities	-	1,131	-	1,131
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External Restrictions - Other

Developer Contributions - General (D)	3,099	523	(857)	2,765
Specific Purpose Unexpended Grants (F)	1,291	-	(951)	340
Domestic Waste Management (G)	882	-	(42)	840

External Restrictions - Other	5,272	523	(1,850)	3,945
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Total External Restrictions	5,272	1,654	(1,850)	5,076
------------------------------------	--------------	--------------	----------------	--------------

Internal Restrictions

Employees Leave Entitlement	550	148	-	698
Carry Over Works	1,057	1,732	(1,057)	1,732

Total Internal Restrictions	1,607	1,880	(1,057)	2,430
------------------------------------	--------------	--------------	----------------	--------------

TOTAL RESTRICTIONS	6,879	3,534	(2,907)	7,506
---------------------------	--------------	--------------	----------------	--------------

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		229	119	341	98
Interest & Extra Charges		19	67	29	50
User Charges & Fees		569	-	567	-
Private Works		48	-	45	-
Accrued Revenues					
- Other Income Accruals		858	-	149	-
Government Grants & Subsidies		392	-	381	-
Net GST Receivable		8	-	348	-
Other - Advances to Public		2	532	2	656
Other - Holiday Park Charges		405	-	374	-
Other - GST Refund on land sales		461	-	-	-
Total		2,991	718	2,236	804
less: Provision for Impairment					
Rates & Annual Charges		(35)	-	(35)	-
User Charges & Fees		(45)	-	(45)	-
Total Provision for Impairment - Receivables		(80)	-	(80)	-
<u>TOTAL NET RECEIVABLES</u>		<u>2,911</u>	<u>718</u>	<u>2,156</u>	<u>804</u>
Externally Restricted Receivables					
Domestic Waste Management		-	130	131	-
Total External Restrictions		-	130	131	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,911	588	2,025	804
TOTAL NET RECEIVABLES		2,911	718	2,156	804

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		1,369	-	2,417	-
Stores & Materials		229	-	195	-
Trading Stock		(27)	-	20	-
Total Inventories		1,571	-	2,632	-
Other Assets					
Prepayments		7	-	7	-
Total Other Assets		7	-	7	-
TOTAL INVENTORIES / OTHER ASSETS		1,578	-	2,639	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

Residential	1,369	-	2,417	-
Total Real Estate for Resale	1,369	-	2,417	-

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition Costs	130	-	348	-
Development Costs	1,239	-	2,069	-
Total Costs	1,369	-	2,417	-
Total Real Estate for Resale	1,369	-	2,417	-

Movements:

Real Estate assets at beginning of the year	2,417	-	3,308	-
- Purchases and other costs	419	-	479	-
- WDV of Sales (exp)	(1,467)	-	(1,370)	-
Total Real Estate for Resale	1,369	-	2,417	-

(b) Current Assets not anticipated to be settled within the next 12 months

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2013	2012
Real Estate for Resale	913	1,611
	913	1,611

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period					as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Capital Work in Progress	243	-	-	-	243	436	-	-	(243)	-	436	-	-	-	436
Plant & Equipment	-	14,240	9,210	-	5,030	2,473	(632)	(1,538)	-	-	-	13,643	8,301	-	5,342
Office Equipment	-	2,301	1,790	-	511	70	-	(166)	-	-	-	2,370	1,957	-	413
Furniture & Fittings	-	2,290	1,671	-	619	95	-	(130)	-	-	-	2,361	1,777	-	584
Land:															
- Operational Land	-	58,184	-	-	58,184	7	-	-	-	(1,333)	-	56,858	-	-	56,858
- Community Land	-	36,995	-	-	36,995	-	-	-	-	-	-	36,995	-	-	36,995
- Land under Roads (post 30/6/08)	-	32	-	-	32	-	-	-	-	-	-	32	-	-	32
Land Improvements - non depreciable	-	2,707	-	-	2,707	-	-	-	-	-	-	2,707	-	-	2,707
Land Improvements - depreciable	-	2,945	1,875	-	1,070	123	-	(93)	-	-	-	3,067	1,968	-	1,099
Buildings - Non Specialised	-	15,719	5,653	-	10,066	40	-	(368)	-	2,429	-	19,686	7,508	-	12,178
Buildings - Specialised	-	63,387	26,714	-	36,673	698	-	(2,104)	-	17,859	-	84,229	31,113	-	53,116
Other Structures	-	16,350	8,974	-	7,376	86	-	(213)	-	48	-	16,189	8,891	-	7,298
Infrastructure:															
- Roads, Bridges, Footpaths	-	153,997	82,803	-	71,194	2,043	-	(3,039)	243	-	-	155,837	85,396	-	70,441
- Bulk Earthworks (non-depreciable)	-	29,331	-	-	29,331	-	-	-	-	-	-	29,330	-	-	29,330
- Stormwater Drainage	-	26,793	7,604	-	19,189	-	-	(268)	-	-	-	26,793	7,872	-	18,921
Other Assets:															
- Library Books	-	1,402	1,108	-	294	75	-	(44)	-	-	-	1,477	1,152	-	325
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.</u>	243	426,673	147,402	-	279,514	6,146	(632)	(7,963)	-	19,003	436	451,574	155,935	-	296,075

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$2229) and New Assets (\$921). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	3,321	-	2,957	364	2,752	-	2,718	34
Land								
- Operational Land'	140	-	-	140	140	-	-	140
Total DWM	3,461	-	2,957	504	2,892	-	2,718	174
TOTAL RESTRICTED I,PP&E	3,461	-	2,957	504	2,892	-	2,718	174

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,744	-	2,657	-
Payments Received In Advance		43	-	50	-
Accrued Expenses:					
- Other Expenditure Accruals		114	-	60	-
Residential Aged Care Accommodation Bonds		2,014	-	1,843	-
Retirement Village Loan Licence Agreements		56,522	-	57,545	-
Security Bonds, Deposits & Retentions		1,595	-	1,598	-
Total Payables		63,032	-	63,753	-
Borrowings					
Loans - Secured ¹		561	3,477	335	1,631
Government Advances		346	1,858	392	2,201
Total Borrowings		907	5,335	727	3,832
Provisions					
Employee Benefits;					
Annual Leave		1,452	-	1,287	-
Sick Leave		706	-	694	-
Long Service Leave		3,549	-	3,411	-
ELE On-Costs		145	-	145	-
Total Provisions		5,852	-	5,537	-
Total Payables, Borrowings & Provisions		69,791	5,335	70,017	3,832
(i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		65	-	60	-
Liabilities relating to externally restricted assets		65	-	60	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		65	-	60	-
Total Liabilities relating to Unrestricted Assets		69,726	5,335	69,957	3,832
TOTAL PAYABLES, BORROWINGS & PROVISIONS		69,791	5,335	70,017	3,832

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	3,219	3,045
Other Liabilities: Payables	57,914	58,576
	61,132	61,621

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	1,287	1,104	(939)	-	-	1,452
Sick Leave	694	12	-	-	-	706
Long Service Leave	3,411	592	(454)	-	-	3,549
ELE On-Costs	145	-	-	-	-	145
TOTAL	5,537	1,708	(1,393)	-	-	5,852

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	1,651	1,829
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		1,651	1,829
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,528	4,636
Adjust for non cash items:			
Depreciation & Amortisation		7,963	7,871
Net Losses/(Gains) on Disposal of Assets		(3,115)	(2,613)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(273)	124
- Investment Properties		(1,899)	(1,879)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(152)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(669)	(475)
Decrease/(Increase) in Inventories		13	30
Decrease/(Increase) in Other Assets		-	269
Increase/(Decrease) in Payables		87	595
Increase/(Decrease) in other accrued Expenses Payable		54	(5)
Increase/(Decrease) in Other Liabilities		(862)	(1,111)
Increase/(Decrease) in Employee Leave Entitlements		315	18
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		4,990	7,460
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		110	110
Total Financing Arrangements		2,110	2,110

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Nil			
(b) Finance Lease Commitments			
Nil			
(c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		3	36
Later than one year and not later than 5 years		-	3
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		3	39

b. Non Cancellable Operating Leases include the following assets:

Photocopiers

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual Obligations - Repairs & Maintenance	262	183
Total Commitments	262	183

These expenditures are payable as follows:

Within the next year	262	183
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total Payable	262	183

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	34,460	4.01 : 1	3.38	2.91
Current Liabilities less Specific Purpose Liabilities ^(2,3)	8,594			
2. Debt Service Ratio				
Debt Service Cost	1,212	2.79%	3.46%	51.29%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	43,484			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	16,428	31.11%	29.82%	30.90%
Income from Continuing Operations	52,809			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	399	2.35%	3.05%	2.53%
Rates, Annual & Extra Charges Collectible	16,950			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	2,229	38.57%	32.34%	32.00%
Depreciation, Amortisation & Impairment	5,779			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2010</td><td>1.54</td></tr><tr><td>2011</td><td>2.91</td></tr><tr><td>2012</td><td>3.38</td></tr><tr><td>2013</td><td>4.01</td></tr></table>	Year	Ratio : 1	2010	1.54	2011	2.91	2012	3.38	2013	4.01	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 4.01 : 1</p> <p>The ratio continues to be above industry benchmark of 2:1. The ratio has improved from the previous year.</p>
Year	Ratio : 1											
2010	1.54											
2011	2.91											
2012	3.38											
2013	4.01											
<p>2. Debt Service Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>7.23%</td></tr><tr><td>2011</td><td>51.29%</td></tr><tr><td>2012</td><td>3.46%</td></tr><tr><td>2013</td><td>2.79%</td></tr></table>	Year	Ratio %	2010	7.23%	2011	51.29%	2012	3.46%	2013	2.79%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.79%</p> <p>The ratio is an improvement over previous years . The ratio will increase over following years with loan raising for asset renewal works. The industry benchmark is 10%.</p>
Year	Ratio %											
2010	7.23%											
2011	51.29%											
2012	3.46%											
2013	2.79%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>28.71%</td></tr><tr><td>2011</td><td>30.90%</td></tr><tr><td>2012</td><td>29.82%</td></tr><tr><td>2013</td><td>31.11%</td></tr></table>	Year	Ratio %	2010	28.71%	2011	30.90%	2012	29.82%	2013	31.11%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 31.11%</p> <p>This ratio continues to be consistent with previous years and well below the 2012 state average of 46%.</p>
Year	Ratio %											
2010	28.71%											
2011	30.90%											
2012	29.82%											
2013	31.11%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>2.83%</td></tr><tr><td>2011</td><td>2.53%</td></tr><tr><td>2012</td><td>3.05%</td></tr><tr><td>2013</td><td>2.35%</td></tr></table>	Year	Ratio %	2010	2.83%	2011	2.53%	2012	3.05%	2013	2.35%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.35%</p> <p>This ratio continues to remain within the industry benchmark of 5% and is an improvement on previous years.</p>
Year	Ratio %											
2010	2.83%											
2011	2.53%											
2012	3.05%											
2013	2.35%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2010</td><td>27.00%</td></tr><tr><td>2011</td><td>32.00%</td></tr><tr><td>2012</td><td>32.34%</td></tr><tr><td>2013</td><td>38.57%</td></tr></table>	Year	Ratio %	2010	27.00%	2011	32.00%	2012	32.34%	2013	38.57%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 38.57%</p> <p>Although this ratio is well below the industry guidelines of 100% it sees an improvement over the 2012 result. This ratio should improve over future years with the adoption of the Asset Management Plan.</p>
Year	Ratio %											
2010	27.00%											
2011	32.00%											
2012	32.34%											
2013	38.57%											

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
Investment Properties on Hand		80,546	78,647
Reconciliation of Annual Movement:			
Opening Balance		78,647	76,768
- Net Gain/(Loss) from Fair Value Adjustments		1,899	1,879
- Other Movements		-	-
CLOSING BALANCE - INVESTMENT PROPERTIES		80,546	78,647

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2012 revaluations were based on Independent Assessments made by:
Walsh & Monaghan

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

Within 1 year	63	63
Later than 1 year but less than 5 years	63	126
Total Minimum Lease Payments Receivable	126	189

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments	70	68
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(10)	(9)
- that did not generate rental income	(774)	(787)

Net Revenue Contribution from Investment Properties

(714) (728)

plus:

Fair Value Movement for year	1,899	1,879
Total Income attributable to Investment Properties	1,185	1,151

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program 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 Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	1,651	1,829	1,651	1,627
Investments				
- "Held for Trading"	1,206	1,761	1,206	1,761
- "Held to Maturity"	29,541	23,257	29,541	23,257
Receivables	3,629	2,960	3,708	3,055
Total Financial Assets	36,027	29,807	36,106	29,700
Financial Liabilities				
Payables	62,989	63,703	62,990	63,654
Loans / Advances	6,242	4,559	6,242	4,559
Total Financial Liabilities	69,231	68,262	69,232	68,213

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	-	-	1,206	1,206
Total Financial Assets	-	-	1,206	1,206

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Held for Trading"	-	-	1,761	1,761
Total Financial Assets	-	-	1,761	1,761

The following table presents the movement in Level 3 financial instruments

	Assets 2013	Assets 2012
Opening Balance (of Level 3 fair values)	1,761	2,699
Gains/(Losses) recognised in the Income Statement	273	(124)
Disposals	(828)	(814)
Closing Balance	1,206	1,761

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(b) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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 or their issuers or are caused by factors affecting similar instruments traded in a market.

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2013				
Possible impact of a 10% movement in Market Values	3,240	3,240	(3,240)	(3,240)
Possible impact of a 1% movement in Interest Rates	324	324	(324)	(324)
2012				
Possible impact of a 10% movement in Market Values	2,664	2,664	(2,664)	(2,664)
Possible impact of a 1% movement in Interest Rates	266	266	(266)	(266)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & Fees**.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

A profile of Council's receivables credit risk at balance date follows:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	222	2,379	312	1,792
Past due by more than 1 year	126	983	127	809
	348	3,361	439	2,601
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			80	80
Balance at the end of the year			80	80

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

Payables & Borrowings are both subject to liquidity risk - 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 (in extenuating circumstances) also be extended & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2013									
Trade/Other Payables	1,595	61,395	-	-	-	-	-	62,990	62,989
Loans & Advances	-	907	930	930	930	930	1,615	6,242	6,242
Total Financial Liabilities	1,595	62,302	930	930	930	930	1,615	69,232	69,231
2012									
Trade/Other Payables	1,598	62,056	-	-	-	-	-	63,654	63,703
Loans & Advances	-	727	749	749	750	750	833	4,558	4,559
Total Financial Liabilities	1,598	62,783	749	749	750	750	833	68,212	68,262

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable to Council's Borrowings at balance date:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	62,989	0.0%	63,703	0.0%
Loans & Advances - Fixed Interest Rate	4,038	6.1%	1,967	6.3%
Loans & Advances - Variable Interest Rate	2,204	4.0%	2,592	5.0%
	<u>69,231</u>		<u>68,262</u>	

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 26 June 2012.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2013 Budget	2013 Actual	2013 Variance* -----		
REVENUES					
Rates & Annual Charges	16,434	16,428	(6)	(0%)	U
User Charges & Fees	13,772	14,031	259	2%	F
Interest & Investment Revenue	1,330	1,724	394	30%	F
Fair Valuation movements in Investments (at FV or Held for Trading) increase not budgeted for \$273K. Increase in investment income for S94 developer funds, loan funds and general investments \$121K.					
Other Revenues	2,128	6,453	4,325	203%	F
Fair Value Adjustments to Investment Properties increased by \$1,899K. Deferred Payment Liabilities Amortisation increased by \$1,346K due to turnover of Blue Haven Units. Storm Damage recovery of \$617K. Insurance claim recovery of \$233K for Leisure Centre.					
Operating Grants & Contributions	9,533	10,289	756	8%	F
Capital Grants & Contributions	564	617	53	9%	F
Increased S94 Developer contributions					
Net Gains from Disposal of Assets	2,791	3,115	324	12%	F
Increased land sales at Elambra Estate subdivision					
Share of Net Profits - Joint Ventures & Associates	-	152	152	0%	F

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	21,043	22,144	(1,101)	(5%) U
Borrowing Costs	407	345	62	15% F
Reduction in interest rate for borrowings at draw down date.				
Materials & Contracts	14,278	15,575	(1,297)	(9%) U
Depreciation & Amortisation	7,934	7,963	(29)	(0%) U
Other Expenses	3,502	3,254	248	7% F

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	3,262	4,990	1,728	53.0%	F
Blue Haven amortisation increased by \$1.3M, User Charges increased by \$1.3M & Grants & contributions by \$1.1M. Materials & contracts expenditure increased by \$2.8M.					
Cash Flows from Investing Activities	(3,321)	(6,851)	(3,530)	106.3%	U
Council does not budget for changes in short term investments purchased with a net increase of \$5.4M. Elambra land sales increased by \$2M					
Cash Flows from Financing Activities	1,639	1,683	44	2.7%	F

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	251	49	-	11	(84)	-	227	882	(1,109)	-	-
Parking	144	-	-	7	-	-	151	1,571	(1,722)	-	-
Open Space	40	40	-	3	(60)	-	23	834	(857)	-	-
Community Facilities	788	223	-	26	(605)	-	432	4,258	(4,690)	-	-
Other - Council Cham.	1,873	70	-	91	(107)	-	1,927	1,364	(3,291)	-	-
Other	3	3	-	-	(1)	-	5	54	(59)	-	-
S94 Contributions - under a Plan	3,099	385	-	138	(857)	-	2,765	8,963	(11,728)	-	-
Total S94 Revenue Under Plans	3,099	385	-	138	(857)	-	2,765				-
Total Contributions	3,099	385	-	138	(857)	-	2,765	8,963	(11,728)	-	-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	-	21	-	-	(21)	-	-	397	(397)	-	-
Community Facilities	596	188	-	17	(564)	-	237	3,630	(3,867)	-	-
Other - Council Cham.	1,873	70	-	91	(107)	-	1,927	1,364	(3,291)	-	-
Other	3	2	-	-	-	-	5	26	(31)	-	-
Total	2,472	281	-	108	(692)	-	2,169	5,417	(7,586)	-	-

CONTRIBUTION PLAN NUMBER 2

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	-	2	-	-	(2)	-	-	67	(67)	-	-
Community Facilities	28	18	-	1	(24)	-	23	543	(566)	-	-
Other	-	1	-	-	(1)	-	-	24	(24)	-	-
Total	28	21	-	1	(27)	-	23	634	(657)	-	-

CONTRIBUTION PLAN NUMBER 3

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	-	10	-	-	(10)	-	-	59	(59)	-	-
Community Facilities	-	17	-	-	(17)	-	-	102	(102)	-	-
Total	-	27	-	-	(27)	-	-	161	(161)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 4

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	144	-	-	7	-	-	151	730	(881)	-	-
Total	144	-	-	7	-	-	151	730	(881)	-	-

CONTRIBUTION PLAN NUMBER 5

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	-	-	-	-	-	-	-	587	(587)	-	-
Total	-	-	-	-	-	-	-	587	(587)	-	-

CONTRIBUTION PLAN NUMBER 6

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	-	-	-	-	-	-	-	254	(254)	-	-
Total	-	-	-	-	-	-	-	254	(254)	-	-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 7

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	212	-	-	9	(49)	-	172	(82)	(90)	-	-
Open Space	(22)	-	-	-	-	-	(22)	68	(46)	-	-
Community Facilities	159	-	-	8	-	-	167	(57)	(110)	-	-
Other	-	-	-	-	-	-	-	4	(4)	-	-
Total	349	-	-	17	(49)	-	317	(67)	(250)	-	-

CONTRIBUTION PLAN NUMBER 7a

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	22	-	-	1	(2)	-	21	120	(141)	-	-
Open Space	-	-	-	-	-	-	-	4	(4)	-	-
Community Facilities	5	-	-	-	-	-	5	40	(45)	-	-
Total	27	-	-	1	(2)	-	26	164	(190)	-	-

CONTRIBUTION PLAN NUMBER A

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	17	16	-	1	-	-	34	321	(355)	-	-
Open Space	62	40	-	3	(60)	-	45	762	(807)	-	-
Total	79	56	-	4	(60)	-	79	1,083	(1,162)	-	-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iii) Metro Pool

Council is a member of Metro Pool, a co-operative self insurance scheme established in 1990 to help stabilise insurance premium costs, achieve significant cost savings and long term benefits for member Councils through effective risk management. There are nine member Councils joined together to secure adequate public liability and professional indemnity cover. Financial contributions to the Pool are based on the relative size of each Council and incorporate a proportion of underlying claims experience so as to reflect risk exposure.

(iv) United Independent Pools

United Independent Pools (UIP) is an incorporated organisation initially formed in 2005 by two Sydney based Local Government risk management pools- Westpool and Metro Pool. The UIP's provide risk management of property (industrial special risk), motor vehicle, Council officers statutory liabilities, and fidelity guarantee to cover the 18 member Councils. Council has adopted the equity method to account for the interest in Metro Pool and UIP.

At the reporting date, there is no requirement for member Councils to fund any shortfall and no future fund is anticipated. Refer Note 19 for details.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Associated Entities & Joint Venture Entities

Note 19(a) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Associated Entities	-	-	-	-
Joint Venture Entities	152	-	152	-
Total	152	-	152	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(a) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2013	2012
Metro Pool	Public Liability & Prof Indemnity	52	-
United Independent Pool	Property and vehicle etc.	100	-
Total Carrying Amounts - Joint Venture Entities		152	-

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2013	2012	2013	2012	2013	2012
Metro Pool			1%			
United Independent Pool			2%			

(c) Movement in Carrying Amounts

	Metro Pool		United Independent Pool	
	2013	2012	2013	2012
Opening Balance	-	-	-	-
Share in Operating Result	52	-	100	-
Council's Equity Share in the Joint Venture Entity	52	-	100	-

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2013					
Metro Pool	200	-	148	-	52
United Independent Pool	100	-	-	-	100
Totals	300	-	148	-	152
2012					
Metro Pool	-	-	-	-	-
United Independent Pool	-	-	-	-	-
Totals	-	-	-	-	-

(e) Share of Joint Ventures Revenues, Expenses & Results

	2013			2012		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Metro Pool	52	-	52	-	-	-
United Independent Pool	100	-	100	-	-	-
Totals	152	-	152	-	-	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		145,406	140,766
a. Other Comprehensive Income (excl. direct to Reserves transactions)		-	4
b. Net Operating Result for the Year		3,528	4,636
Balance at End of the Reporting Period		148,934	145,406

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	167,142	148,139
- Investments Properties Revaluation Reserve	26,738	26,738
- Intangibles Revaluation Reserve	2,400	2,400
Total	196,280	177,277

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	148,139	148,139
- Revaluations for the year	19,003	-
- Balance at End of Year	167,142	148,139

Investments Properties Revaluation Reserve

- Opening Balance	26,738	26,738
- Balance at End of Year	26,738	26,738

Intangibles Revaluation Reserve

- Opening Balance	2,400	2,400
- Balance at End of Year	2,400	2,400

TOTAL VALUE OF RESERVES

196,280	177,277
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(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Investments Properties Revaluation Reserve

Intangibles Revaluation Reserve

- The Intangibles Revaluation Reserve is used to record the value of Bed Licences issued to the Blue Haven Retirement Village.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000

(c) Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

(d) Voluntary Changes in Accounting Policies

Council made no voluntary changes in any accounting policies during the year.

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

	2013	2013	2012	2012
\$ '000	Current	Non Current	Current	Non Current

(i) Non Current Assets & Disposal Group Assets

Non Current Assets "Held for Sale"

Land	3,562	-	3,525	-
Total Non Current Assets "Held for Sale"	3,562	-	3,525	-

Disposal Group Assets "Held for Sale"

Council has a parcel of land which it has made a decision to dispose of. The land, Akuna Street car park, and a recently acquired adjoining parcel is currently available for sale and is measured at historical cost. The two parcels are being marketed as one parcel with the intention to attract another supermarket into the town.

TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	3,562	-	3,525	-
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(ii) Details of Assets & Disposal Groups

Council has a parcel of land which it has made a decision to dispose of.

The land, Akuna Street Car Park is currently available for sale and is measured at historical cost.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 22. "Held for Sale" Non Current Assets & Disposal Groups (continued)

\$ '000	Assets "Held for Sale"	
	2013	2012
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	3,525	296
Balance still unsold after 12 months:	3,525	296
- Purchases (Land) during the year	37	3,229
Closing Balance of "Held for Sale"	3,562	3,525
Non Current Assets & Operations		

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 30/10/13.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	2,400	2,400
Accumulated Amortisation (1/7/12)	-	-
Net Book Value - Opening Balance	2,400	2,400
Closing Values:		
Gross Book Value (30/6/13)	2,400	2,400
Accumulated Amortisation (30/6/13)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>2,400</u>	<u>2,400</u>
^{1. The Net Book Value of Intangible Assets represent:}		
- Bed Licences	2,400	2,400
	2,400	2,400

Bed Licences

Council owns and operates Blue Haven Retirement Village which includes independent living unit a nursing home and hostel. Bed licences are granted by the Federal Department of Health & Ageing in perpetuity and their useful life is considered to be indefinite. As a result, licenses are not amortised but are subject to an annual impairment assessment

The licences issued by the Department of Health & Ageing are issued for no consideration and are recognised in Council's books at fair value, if and only if, it is probable that the future economic benefits attributable to the bed licences will flow to Council and the fair value of bed licences can be measured reliably.

Council obtained an independent valuation for the bed licences from an industry expert and the value recorded as at 30 June 2011 is in accordance with that valuation. Council also considered the recommendations in the Productivity Commission's report "Caring for Older Australians" and will monitor the Federal Government's progress with implementation of those recommendations and the impact (if any) that such implementation will have on future values of bed licences. The Federal Government has not as yet implemented any recommendations that would impact on the carrying value of these bed licences. Other organisations are also still showing a value in their financial statements.

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Segment Reporting

\$ '000	Actual 2013	Actual 2012
Residential Aged Care: Blue Haven Nursing Home - RAC ID 2660		
Income Statement		
Income from Continuing Operations		
Resident Fees	1,139	1,100
Other Revenues	13	22
Grants & Contributions provided for Operating Purposes	2,973	3,041
Grants & Contributions provided for Capital Purposes	-	-
Net gains from the disposal of assets	-	-
Total Income from Continuing Operations	4,125	4,163
Expenses from Continuing Operations		
Employee Costs	3,114	2,924
Borrowing Costs	65	71
Care Costs	44	47
Catering Costs	142	141
Cleaning / Laundry Costs	57	54
Repairs & Maintenance Costs	80	85
Utilities Costs	81	56
Depreciation	242	242
Other Expenses	58	81
Net Losses from the Disposal of Assets	-	4
Total Expenses from Continuing Operations	3,883	3,705
Operating Result from Continuing Operations	242	458
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	242	458
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		
	242	458

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Segment Reporting (continued)

\$ '000	Actual 2013	Actual 2012
Residential Aged Care: Blue Haven Nursing Home - RAC ID 2660		
Balance Sheet		
ASSETS		
Current Assets		
Cash & Cash Equivalents	2,441	2,079
Investments	-	-
Receivables	18	3
Inventories	-	-
Other	-	-
Total Current Assets	2,459	2,082
Non-Current Assets		
Investments	-	-
Receivables	8	10
Inventories	-	-
Infrastructure, Property, Plant & Equipment	10,174	8,861
Investment Property	-	-
Intangible Assets	1,500	1,500
Other	-	-
Total Non-Current Assets	11,682	10,371
TOTAL ASSETS	14,141	12,453
LIABILITIES		
Current Liabilities		
Payables	-	-
Borrowings	89	78
Provisions	322	327
Total Current Liabilities	411	405
Non-Current Liabilities		
Payables	-	-
Borrowings	894	988
Provisions	-	-
Total Non-Current Liabilities	894	988
TOTAL LIABILITIES	1,305	1,393
Net Assets	12,836	11,060
EQUITY		
Retained Earnings	5,439	5,197
Revaluation Reserves	7,397	5,863
Total Equity	12,836	11,060

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Segment Reporting (continued)

\$ '000	Actual 2013	Actual 2012
Residential Aged Care: Blue Haven Hostel - RAC ID 94		
Income Statement		
Income from Continuing Operations		
Resident Fees	512	474
Other Revenues	191	160
Grants & Contributions provided for Operating Purposes	614	685
Grants & Contributions provided for Capital Purposes	-	-
Net gains from the disposal of assets	-	-
Total Income from Continuing Operations	1,317	1,319
Expenses from Continuing Operations		
Employee Costs	672	706
Borrowing Costs	-	-
Care Costs	18	15
Catering Costs	90	88
Cleaning / Laundry Costs	44	48
Repairs & Maintenance Costs	44	53
Utilities Costs	44	36
Depreciation	150	150
Other Expenses	61	84
Net Losses from the Disposal of Assets	-	-
Total Expenses from Continuing Operations	1,123	1,180
Operating Result from Continuing Operations	194	139
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	194	139
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		
	194	139

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 27. Segment Reporting (continued)

\$ '000	Actual 2013	Actual 2012
Residential Aged Care: Blue Haven Hostel - RAC ID 94		
Balance Sheet		
ASSETS		
Current Assets		
Cash & Cash Equivalents	5,570	5,097
Investments	-	-
Receivables	(2)	-
Inventories	-	-
Other	-	-
Total Current Assets	5,568	5,097
Non-Current Assets		
Investments	-	-
Receivables	(1)	-
Inventories	-	-
Infrastructure, Property, Plant & Equipment	5,963	4,980
Investment Property	-	-
Intangible Assets	900	900
Other	-	-
Total Non-Current Assets	6,862	5,880
TOTAL ASSETS	12,430	10,977
LIABILITIES		
Current Liabilities		
Payables	500	1,843
Borrowings	-	-
Provisions	86	113
Total Current Liabilities	586	1,956
Non-Current Liabilities		
Payables	-	-
Borrowings	-	-
Provisions	1,514	-
Total Non-Current Liabilities	1,514	-
TOTAL LIABILITIES	2,100	1,956
Net Assets	10,330	9,021
EQUITY		
Retained Earnings	5,771	5,578
Revaluation Reserves	4,559	3,443
Total Equity	10,330	9,021

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 28. Financial Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	16,428	15,435	14,732	13,839	12,975
User Charges Revenue	14,031	14,067	13,787	12,015	11,585
Interest & Investment Revenue (Losses)	1,724	1,484	2,310	2,619	2,581
Grants Income - Operating & Capital	9,499	10,319	9,678	8,842	10,319
Total Income from Continuing Operations	52,809	51,757	47,676	48,202	44,703
Sale Proceeds from I,PP&E	5,214	4,683	843	554	1,059
New Loan Borrowings & Advances	2,553	-	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	22,144	20,420	20,016	19,333	18,619
Borrowing Costs	345	329	847	1,560	1,467
Materials & Contracts Expenses	15,575	15,355	15,247	12,964	12,295
Total Expenses from Continuing Operations	49,281	47,121	47,331	42,741	41,856
Total Cash purchases of I,PP&E	6,190	6,176	4,390	3,360	8,721
Total Loan Repayments (incl. Finance Leases)	870	1,120	18,644	1,226	1,051
Operating Surplus/(Deficit) (excl. Capital Income)	2,911	3,803	(753)	5,461	2,847
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	40,449	35,167	31,685	44,868	33,113
Current Liabilities	69,791	70,017	70,914	70,914	11,006
Net Current Assets	(29,342)	(34,850)	(39,229)	(26,046)	22,107
Available Working Capital (Unrestricted Net Current Assets)	30,195	24,474	22,571	13,750	18,932
Cash & Investments - Unrestricted	24,892	19,968	19,112	33,849	22,989
Cash & Investments - Internal Restrictions	2,430	1,607	1,365	1,126	895
Cash & Investments - Total	32,398	26,847	25,828	40,266	29,776
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	6,242	4,559	5,679	24,323	25,323
Total Value of I,PP&E (excl. Land & Earthworks)	326,088	299,667	294,210	279,307	203,023
Total Accumulated Depreciation	155,935	147,402	139,531	127,968	59,986
Indicative Remaining Useful Life (as a % of GBV)	52%	51%	53%	54%	70%

Source: Published audited financial statements of Council (current year & prior year)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 29. Council Information & Contact Details

Principal Place of Business:

11 Manning Street
Kiama NSW 2533

Contact Details
Mailing Address:

PO Box75
Kiama NSW 2533

Opening Hours:

8.45am to 4.15
Monday to Friday

Telephone: 02 42320444

Facsimile: 02 42320555

Internet: www.kiama.nsw.gov.au

Email: council@kiama.nsw.gov.au

Officers
GENERAL MANAGER

Michael Forsyth

RESPONSIBLE ACCOUNTING OFFICER

Phillip Mison

PUBLIC OFFICER

Michael Forsyth

AUDITORS

Pitcher Partners
GPO Box 1615
Sydney NSW 2001

Elected Members
MAYOR

Brian Petschler

COUNCILLORS

Brian Petschler
Warren Steel
Neil Reilly
Mark Honey
Gavin McClure
Kathy Rice
Dennis Seage
Andrew Sloan
Mark Way

Other Information

ABN: 22 379 679 108



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KIAMA MUNICIPAL COUNCIL

Independent Audit Report to the Council

General Purpose Financial Statements for the Year ended 30 June 2013

Report on the Financial Report

We have audited the general purpose financial statements of Kiama Municipal Council, which comprises the Balance Sheet as at 30 June 2013, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in note 17, additional Council disclosure notes, nor the attached Special Schedules.

We conducted our audit in accordance with Australian Auditing Standards. Those 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kiama Municipal Council as of 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

Council's Responsibilities for compliance with other legal and regulatory requirements

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.


Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

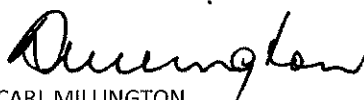
Auditors' Opinion on other legal and regulatory requirements

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance with the requirements of this Division and Regulation;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.



PITCHER PARTNERS



CARL MILLINGTON
Partner

Sydney, 30 October 2013



PITCHER PARTNERS

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KIAMA MUNICIPAL COUNCIL INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT (Local Government Act, 1993 - Section 417(3)) YEAR ENDED 30 JUNE 2013

Kiama Municipal Council has prepared a general purpose financial report for the year ended 30 June 2013 on which we issued a separate audit report to the Council dated 30 October 2013. This report has been prepared in accordance with the requirements of the Division of Local Government, and the provisions of Section 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Audit Conclusion

Our audit of the financial report for the year ended 30 June 2013 resulted in an unqualified independent audit report for Council's General Purpose Financial Statements and Council's Special Purpose Financial Report.

Additional Audit Considerations and Comment

Income Statement

Operating Result.

Council's operating result for the 2013 year was a surplus of \$3.528M compared with a budgeted deficit of \$0.612M and the 2012 operating surplus of \$4.636M. The most significant variations on the operating result for 2012 were the increase in rates and annual charges (\$1.007M increase on prior year) compared to an increase in employee costs (\$1.724M increase on prior year). Overall revenue increase by \$1.052M compared to an increase in expenses of \$2.160M, leading to a decrease in operating result from 2012 of \$1.108M. A substantial increase in revenue resulted in the operating result being higher than was originally budgeted for at the start of the year.

Note 16 to the financial statements provides detailed explanations for the material variances from Council's original budget.

Summarised Income Statement

	2013 Actual \$'000	2013 Budget \$'000	* Budget Variance %	2012 Actual \$'000
Operating result	3,528	(612)	676.47%F	4,636
Operating result before capital revenue	2,911	(1,176)	347.53%F	3,803
Rates & annual charges	16,428	16,434	0.03%U	15,435
Operating grants & contributions	10,289	9,533	7.93%F	10,968
Capital grants & contributions	617	564	9.39%F	833
Depreciation & amortisation	7,963	7,934	0.36%U	7,871

* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

Operating Result before Capital.

The operating result before Capital grants and contributions was a surplus of \$2.911M compared with the prior year surplus of \$3.803M. This compared with the original 2013 budget deficit of \$1.176M.

Rates and Annual Charges.

Revenue from rates and annual charges increased to \$16.428M from \$15.435M in the prior year, and was within 1% of budget for the 2013 year.

Grants and Contributions.

Operating grants and contributions for the year totalled \$10.289M and represented 19.48% of total income from continuing operations. This compares with budget of \$9.533M.

Capital grants and contributions amounted to \$617K for the 2013 year and represented 1.17% of total income from continuing operations. This compares with budget of \$564K.

Depreciation.

Included in the operating result was \$7.963M for the depreciation and amortisation of infrastructure, property, plant and equipment which increased from \$7.871M in the prior year and compared with the original budget of \$7.934M. Depreciation of Council's assets represents approximately 16% of total operating expenses. This increased depreciation expense is a result of the revaluation of infrastructure assets to their fair value in accordance with the requirements of the Division of Local Government in recent years.

Balance Sheet

Council's equity at 30 June 2013 amounted to \$345.214M comprised of retained earnings (\$148.934M), and reserves (\$196.280M) arising from revaluation of infrastructure assets.

The most significant impact on retained earnings during 2013 was the operating surplus of \$3.528M.

At balance date Council had not utilised any of its bank overdraft facility of \$2M.

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2013 Actual \$'000	2013 Budget \$'000	* Budget Variance %	2012 Actual \$'000
Net cash flows from operations	4,990	3,262	53.97%F	7,460
Net cash flows from investing	(6,851)	(3,321)	106.29%U	(8,074)
Net cash flows from financing	1,683	1,639	2.67%F	(1,120)
Net movement in cash	178	1,580		(1,734)

* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances increased to a total of \$1.651M during the year, with \$4.990M being provided from operations, \$6.851 utilised in investing activities, and \$1.683 provided from borrowings and advances.

Total Investments and Cash Balances

Council's cash and investments balances totaled \$32.398M at 30 June 2013 compared to \$26.847M in 2012.

Of this total, \$5.076M (2012 - \$5.272M) is externally restricted for use as specified by legislation and/or other regulatory requirements, \$2.430M (2012 - \$1.607M) has been reserved for specific projects and purposes identified by Council, and \$24.892M (2012 - \$19.968M) is unrestricted.

There was insignificant movement in externally restricted cash balances, with amounts being held in respect of developer contributions, specific purpose unexpended grants and domestic waste management. Internally restricted balances increased by \$823K, and included provision for future employee leave entitlements and carry-over works.

Working Capital (Net Current Assets)

	2013 \$'000	2012 \$'000	2011 \$'000
Current assets	40,449	35,167	31,685
Current liabilities	69,791	70,017	70,914
Net current assets	(29,342)	(34,850)	(39,229)
Add: anticipated longer term liabilities included in current	61,132	61,621	61,909
Less: current assets not anticipated to be settled within next 12 months	(913)	(1,611)	0
Adjusted net Current Assets	30,877	25,160	22,590
<i>Less: Working Capital Commitments</i>			
Net external restrictions	5,011	5,343	5,384
Unrestricted Working Capital	25,866	19,817	17,206

Council's balance of unrestricted working capital has increased from \$19.817M in 2012 to \$25.866M at the end of the 2013 financial year.

After taking into consideration Council's internal reserves, other liabilities that are anticipated to be funded from the 2013/14 operating budget and anticipated timing of rate revenues, Council's unrestricted working capital balance appears to provide a reasonable basis for funding the coming year's operations.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2013 year results with prior years.

Unrestricted Current Ratio.

The ratio has continued the improvement experienced in recent years and at 4.01:1 for 2013 remains well above the industry benchmark of 2:1.

Debt Service Ratio.

The debt service ratio of 2.79% is continuing to improve from previous years, but is expected to rise again with loan raising to be undertaken for the renewal of assets. It is still well below the industry benchmark of 10%.

Rates and Annual Charges Coverage Ratio.

Council's rates and annual charges revenue represented 31.11% of 2013 total revenue, which is consistent with prior years.

Rates and Annual Charges Outstanding Percentage.

The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 2.35%. This is a decrease on the prior year, and the ratio remains within the industry benchmark of 5%.

Asset Renewals Ratio.

The ratio remains below industry guidelines of 100% at 38.57%. Council would have had to expend a further \$3.550M in the 2013 year to have achieved the industry benchmark.

Legislative Compliance

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 21), and other legislatively prescribed standards.

Conduct of the audit

During the conduct of our audit, there were minimal issues requiring additional explanation and investigation. We are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

As a result of the ongoing redemption of Council's investments in CDOs and the greatly reduced exposure, it has been possible to remove the qualification on our audit opinion that existed in prior years and issue an unqualified audit report for the 2013.

We commend the courteous and professional manner in which Council's staff have acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.

Pitcher Partners
PITCHER PARTNERS

Carl Millington
CARL MILLINGTON

Partner

Sydney, 30 October 2013

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*A Municipality working together for a
healthy, sustainable & caring community*



Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

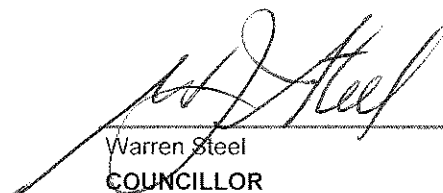
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

We are not aware of any matter that would render these Statements false or misleading in any way.

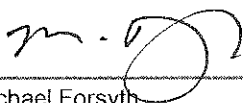
Signed in accordance with a resolution of Council made on 17 September 2013.



Brian Petschler
MAYOR



Warren Steel
COUNCILLOR



Michael Forsyth
GENERAL MANAGER



Phillip Mison
RESPONSIBLE ACCOUNTING OFFICER

Kiama Municipal Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	7,870	7,517	1,096	1,137
Fees	-	-	2,199	2,265
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	62	151
Other income	55	44	373	402
Total income from continuing operations	7,925	7,561	3,730	3,955
Expenses from continuing operations				
Employee benefits and on-costs	111	77	876	959
Borrowing costs	99	93	-	-
Materials and contracts	4,454	4,030	1,467	1,439
Depreciation and impairment	550	538	597	544
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	20	20	-	-
Debt guarantee fee (if applicable)	138	155	-	-
Other expenses	989	957	45	45
Total expenses from continuing operations	6,361	5,870	2,985	2,987
Surplus (deficit) from Continuing Operations before capital amounts	1,564	1,691	745	968
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,564	1,691	745	968
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	1,564	1,691	745	968
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(469)	(507)	(224)	(290)
SURPLUS (DEFICIT) AFTER TAX	1,095	1,184	522	678
plus Opening Retained Profits	9,168	8,689	6,382	5,414
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	20	20	-	-
- Debt guarantee fees	138	155	-	-
- Corporate taxation equivalent	469	507	224	290
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,575)	(1,387)	-	-
Closing Retained Profits	9,315	9,168	7,127	6,382
Return on Capital %	10.0%	13.0%	35.9%	38.2%
Subsidy from Council	-	-	-	-

Kiama Municipal Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	1,924	1,575	5,260	4,064
Investments	-	-	-	-
Receivables	113	108	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	2,037	1,683	5,260	4,064
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	16,604	13,766	2,075	2,536
Investments accounted for using equity method	-	-	-	-
Investment property	83	83	-	-
Other	-	-	-	-
Total Non-Current Assets	16,687	13,849	2,075	2,536
TOTAL ASSETS	18,724	15,532	7,335	6,600
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	654	644	-	-
Provisions	10	10	-	-
Total Current Liabilities	664	654	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	2,716	2,848	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	2,716	2,848	-	-
TOTAL LIABILITIES	3,380	3,502	-	-
NET ASSETS	15,344	12,030	7,335	6,600
EQUITY				
Retained earnings	9,320	9,168	7,127	6,383
Revaluation reserves	6,024	2,862	208	217
Council equity interest	15,344	12,030	7,335	6,600
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	15,344	12,030	7,335	6,600

Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Division of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Kiama Coast Holiday Parks

Caravan and Camping Parks

b. Waste Business Unit

Domestic/Commercial Waste

Category 2

(where gross operating turnover is less than \$2 million)

Nil

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No

adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.77% at 30/6/13.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.



PITCHER PARTNERS

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KIAMA MUNICIPAL COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2013

Report on the Financial Statements of Council's Declared Business Activities

We have audited the accompanying financial statements, being special purpose financial statements, of Kiama Municipal Council's declared business activities, which comprises the balance sheet as at 30 June 2013 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

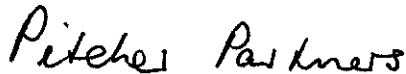
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kiama Municipal Council as of 30 June 2013 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

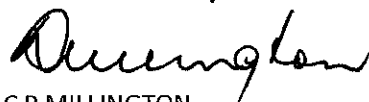
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Other Matter

Kiama Municipal Council has prepared a separate financial report for the year ended 30 June 2013 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 30 October 2013.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 30 October 2013

Kiama Municipal Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

*A Municipality working together for a
healthy, sustainable & caring community*



Kiama Municipal Council

Special Schedules

for the financial year ended 30 June 2013

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Special Schedules¹

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- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
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¹ Special Purpose Schedules are not audited.

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
 - the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
 - the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Kiama Municipal Council

Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	1,291	2	-	(1,289)
Administration	12,136	2,749	-	(9,387)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	339	821	-	482
Beach Control	424	-	-	(424)
Enforcement of Local Govt. Regulations	124	87	-	(37)
Animal Control	122	33	-	(89)
Other	-	-	-	-
Total Public Order & Safety	1,009	941	-	(68)
Health	248	164	-	(84)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	582	-	-	(582)
Solid Waste Management	3,794	5,226	-	1,432
Street Cleaning	124	-	-	(124)
Drainage	-	-	-	-
Stormwater Management	322	-	-	(322)
Total Environment	4,822	5,226	-	404
Community Services and Education				
Administration & Education	693	163	-	(530)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	8,753	12,367	-	3,614
Children's Services	39	45	-	6
Total Community Services & Education	9,485	12,575	-	3,090
Housing and Community Amenities				
Public Cemeteries	96	301	-	205
Public Conveniences	291	-	-	(291)
Street Lighting	390	24	-	(366)
Town Planning	247	859	-	612
Other Community Amenities	2	-	-	(2)
Total Housing and Community Amenities	1,026	1,184	-	158
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Kiama Municipal Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	1,412	154	-	(1,258)
Museums	4	1	-	(3)
Art Galleries	41	-	-	(41)
Community Centres and Halls	3,473	822	-	(2,651)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	214	28	-	(186)
Swimming Pools	-	975	-	975
Parks & Gardens (Lakes)	-	-	-	-
Other Sport and Recreation	1,634	152	-	(1,482)
Total Recreation and Culture	6,778	2,132	-	(4,646)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	558	171	-	(387)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	558	171	-	(387)
Transport and Communication				
Urban Roads (UR) - Local	2,983	222	617	(2,144)
Urban Roads - Regional	-	62	-	62
Sealed Rural Roads (SRR) - Local	256	-	-	(256)
Sealed Rural Roads (SRR) - Regional	630	-	-	(630)
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	297	-	-	(297)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	32	-	-	(32)
Footpaths	338	18	-	(320)
Aerodromes	-	-	-	-
Other Transport & Communication	1,088	65	-	(1,023)
Total Transport and Communication	5,624	367	617	(4,640)
Economic Affairs				
Camping Areas & Caravan Parks	6,012	7,920	-	1,908
Other Economic Affairs	292	3,008	-	2,716
Total Economic Affairs	6,304	10,928	-	4,624
Totals – Functions	49,281	36,439	617	(12,225)
General Purpose Revenues⁽²⁾		15,601		15,601
Share of interests - joint ventures & associates using the equity method	-	152		152
NET OPERATING RESULT⁽¹⁾	49,281	52,192	617	3,528

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Kiama Municipal Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	335	1,631	1,966	2,553	481	-	-	241	561	3,477	4,038
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	335	1,631	1,966	2,553	481	-	-	241	561	3,477	4,038
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	392	2,201	2,593	-	389	-	-	101	346	1,858	2,204
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	392	2,201	2,593	-	389	-	-	101	346	1,858	2,204
Total Debt	727	3,832	4,559	2,553	870	-	-	342	907	5,335	6,242

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

as at 30 June 2013

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition ^{#.}	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>							
Buildings	Various	1 - 3.33%	2,472		103,915	38,621	65,294	2	3,791	386	374
	sub total		2,472	-	103,915	38,621	65,294		3,791	386	374
Other Structures	Assets not included in Buildings	2 - 10%	213		16,189	8,891	7,298	2	159	151	145
	sub total		213	-	16,189	8,891	7,298		159	151	145
Public Roads											
	All Roads	1 - 1.33%	3,039		155,837	85,396	70,441	2	4,958	1,167	1,459
	Regioanl Roads	1 - 1.33%	-		-	-	-	2	1,042	547	756
	sub total		3,039	-	155,837	85,396	70,441		6,000	1,714	2,215
Drainage Works											
	Stormwater	1.67%	268		26,793	7,872	18,921	2	50	90	105
	sub total		268	-	26,793	7,872	18,921		50	90	105
	TOTAL - ALL ASSETS		5,992	-	302,734	140,780	161,954		10,000	2,341	2,839

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

1	Excellent - No work required (normal maintenance)
2	Good - Only minor maintenance work required

3	Average - Maintenance work required
4	Poor - Renewal required

5 Very Poor - Urgent renewal/upgrading required

Kiama Municipal Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	52,809	48,058	46,782	46,540	47,700	53,285	54,471	51,338	52,614	53,913	55,279
Expenses from continuing operations	49,281	48,173	49,124	50,517	51,909	52,958	53,901	54,900	56,526	57,713	58,951
Operating Result from Continuing Operations	3,528	(115)	(2,342)	(3,977)	(4,209)	327	570	(3,562)	(3,912)	(3,800)	(3,672)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	2,229	2,930	1,500	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250
Total Capital Budget	2,229	2,930	1,500	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250
Funded by:											
– Loans	1,422	2,050	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	587	660	1,280	3,077	2,309	2,052	2,205	4,341	4,173	3,138	3,030
– Grants/Contributions	220	220	220	220	220	220	220	220	220	220	220
– Recurrent revenue	-	-	-	-	-	-	-	-	-	-	-
– Other	-	-	-	-	-	-	-	-	-	-	-
	2,229	2,930	1,500	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250

Notes:

(1) From 12/13 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.