



Kiama Council Annual Financial Statement 2013-14



Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

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



Kiama Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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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 03 November 2014. Council has the power to amend and reissue these financial statements.
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Kiama Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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 16 September 2014.



Brian Petschler
MAYOR



Neil Reilly
COUNCILLOR



Michael Forsyth
GENERAL MANAGER



Phil Mison
RESPONSIBLE ACCOUNTING OFFICER

Kiama Municipal Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014 \$ '000		Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
17,240	Rates & Annual Charges	3a	17,237	16,428
13,627	User Charges & Fees	3b	15,304	14,031
1,259	Interest & Investment Revenue	3c	1,719	1,724
2,068	Other Revenues	3d	4,359	6,453
9,469	Grants & Contributions provided for Operating Purposes	3e,f	10,177 ²	10,289
770	Grants & Contributions provided for Capital Purposes	3e,f	1,783	617
Other Income:				
3,625	Net gains from the disposal of assets	5	951	3,115
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	29	152
48,058	Total Income from Continuing Operations		51,559	52,809
Expenses from Continuing Operations				
21,885	Employee Benefits & On-Costs	4a	22,248	22,144
430	Borrowing Costs	4b	393	345
14,520	Materials & Contracts	4c	16,435	15,575
7,900	Depreciation & Amortisation	4d	8,972	7,963
-	Impairment	4d	-	-
3,438	Other Expenses	4e	7,613	3,254
48,173	Total Expenses from Continuing Operations		55,661	49,281
(115)	Operating Result from Continuing Operations		(4,102)	3,528
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(115)	Net Operating Result for the Year		(4,102)	3,528
(115)	Net Operating Result attributable to Council		(4,102)	3,528
-	Net Operating Result attributable to Non-controlling Interests		-	-
(885)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(5,885)	2,911

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Kiama Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(4,102)	3,528
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(11,505)	19,003
Total Items which will not be reclassified subsequently to the Operating Result		(11,505)	19,003
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(11,505)	19,003
Total Comprehensive Income for the Year		(15,607)	22,531
Total Comprehensive Income attributable to Council		(15,607)	22,531
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Kiama Municipal Council

Statement of Financial Position as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	3,521	1,651
Investments	6b	34,329	30,747
Receivables	7	3,205	2,911
Inventories	8	201	1,571
Other	8	9	7
Non-current assets classified as "held for sale"	22	3,593	3,562
Total Current Assets		44,858	40,449
Non-Current Assets			
Investments	6b	-	-
Receivables	7	803	718
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	282,155	296,075
Investments accounted for using the equity method	19	181	152
Investment Property	14	76,131	80,546
Intangible Assets	25	2,400	2,400
Total Non-Current Assets		361,670	379,891
TOTAL ASSETS		406,528	420,340
LIABILITIES			
Current Liabilities			
Payables	10	63,687	63,032
Borrowings	10	962	907
Provisions	10	5,947	5,852
Total Current Liabilities		70,596	69,791
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	6,325	5,335
Provisions	10	-	-
Total Non-Current Liabilities		6,325	5,335
TOTAL LIABILITIES		76,921	75,126
Net Assets		329,607	345,214
EQUITY			
Retained Earnings	20	144,832	148,934
Revaluation Reserves	20	184,775	196,280
Council Equity Interest		329,607	345,214
Non-controlling Interests		-	-
Total Equity		329,607	345,214

Kiama Municipal Council

Statement of Changes in Equity for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		148,934	196,280	345,214	-	345,214
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		148,934	196,280	345,214	-	345,214
c. Net Operating Result for the Year		(4,102)	-	(4,102)	-	(4,102)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(11,505)	(11,505)	-	(11,505)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	(11,505)	(11,505)	-	(11,505)
Total Comprehensive Income (c&d)		(4,102)	(11,505)	(15,607)	-	(15,607)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		144,832	184,775	329,607	-	329,607

\$ '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 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

Kiama Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014 \$ '000		Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
17,219	Rates & Annual Charges		17,198	16,519
13,652	User Charges & Fees		16,153	15,079
1,256	Investment & Interest Revenue Received		1,404	1,444
10,244	Grants & Contributions		12,452	11,265
-	Bonds, Deposits & Retention amounts received		195	-
834	Other		5,418	5,122
Payments:				
(21,885)	Employee Benefits & On-Costs		(22,238)	(22,685)
(14,689)	Materials & Contracts		(17,932)	(17,039)
(430)	Borrowing Costs		(393)	(345)
-	Bonds, Deposits & Retention amounts refunded		-	(3)
(3,438)	Other		(3,674)	(4,367)
2,763	Net Cash provided (or used in) Operating Activities	11b	8,583	4,990
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		29,769	24,085
4,171	Sale of Real Estate Assets		2,856	4,295
-	Sale of Infrastructure, Property, Plant & Equipment		655	919
Payments:				
-	Purchase of Investment Securities		(32,996)	(29,541)
(7,518)	Purchase of Infrastructure, Property, Plant & Equipment		(7,976)	(6,190)
-	Purchase of Real Estate Assets		(66)	(419)
(3,347)	Net Cash provided (or used in) Investing Activities		(7,758)	(6,851)
Cash Flows from Financing Activities				
Receipts:				
2,025	Proceeds from Borrowings & Advances		2,025	2,553
Payments:				
(1,014)	Repayment of Borrowings & Advances		(980)	(870)
1,011	Net Cash Flow provided (used in) Financing Activities		1,045	1,683
427	Net Increase/(Decrease) in Cash & Cash Equivalents		1,870	(178)
766	plus: Cash & Cash Equivalents - beginning of year	11a	1,651	1,829
1,193	Cash & Cash Equivalents - end of the year	11a	3,521	1,651
Additional Information:				
	plus: Investments on hand - end of year	6b	34,329	30,747
	Total Cash, Cash Equivalents & Investments		37,850	32,398

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 2014

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n/a - not applicable

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 Australian Accounting 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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets 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 non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) 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.

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 Council 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 remediation provisions.

Critical judgements in applying Council'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 it 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

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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

Rental income is accounted for on a straight-line basis over the lease term.

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(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 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, 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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

(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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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 Office of Local Government.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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)
- **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 assets 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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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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

- Benches, seats etc	10 to 20 years
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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 (if appropriate), at each reporting 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.

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
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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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 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.

(m) Intangible Assets

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 30/06/2014.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

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

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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 Council 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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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.

(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 wholly 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.

All other short-term employee benefit obligations are presented as payables.

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 wholly 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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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 20/02/2013 and covers the period ended 30/06/2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 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 2014 was \$ 536,553.

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 \$ 924,456 as at 30 June 2014.

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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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 30/6/14.

(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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

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.

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.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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 Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 2015.

Not applicable to Local Government per se;

None

There are no other standards that are "not yet effective" and expected to have a material impact on Council 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 2014

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 retirement 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 2014

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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	2	-	1,157	1,291	-	(1,157)	(1,289)	208	32	-	-
Corporate Services	572	1,600	1,448	8,727	11,726	7,824	(8,155)	(10,126)	(6,376)	-	345	59,648	36,628
Community Services	3,684	4,077	3,917	4,851	5,056	4,961	(1,167)	(979)	(1,044)	3,131	3,339	822	874
Environmental Services	4,914	5,244	4,882	3,646	3,717	3,370	1,268	1,527	1,512	-	40	939	1,381
Engineering & Works	2,833	3,300	4,264	15,455	16,739	16,009	(12,622)	(13,439)	(11,745)	3,029	651	238,154	267,452
Commercial Activities	20,393	21,859	22,543	15,494	17,266	15,826	4,899	4,593	6,717	3,138	3,543	106,784	113,853
Total Functions & Activities	32,396	36,080	37,056	48,173	55,661	49,281	(15,777)	(19,581)	(12,225)	9,506	7,950	406,347	420,188
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	29	152	-	-	-	-	29	152	-	-	181	152
General Purpose Income ¹	15,662	15,450	15,601	-	-	-	15,662	15,450	15,601	977	1,581	-	-
Operating Result from Continuing Operations	48,058	51,559	52,809	48,173	55,661	49,281	(115)	(4,102)	3,528	10,483	9,531	406,528	420,340

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 2014

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.

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 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		11,326	10,948
Farmland		645	628
Business		895	858
Total Ordinary Rates		12,866	12,434
Special Rates			
Tourism		217	210
Total Special Rates		217	210
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,919	3,571
Waste Management Services (non-domestic)		235	213
Total Annual Charges		4,154	3,784
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>17,237</u>	<u>16,428</u>

Council has used 2011 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 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,127	534
Total User Charges		1,127	534
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Services - Other		109	115
Inspection Services		22	24
Planning & Building Regulation		398	374
Private Works - Section 67		18	15
Registration Fees		41	33
Section 603 Certificates		46	40
Total Fees & Charges - Statutory/Regulatory		634	601
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Blue Haven Aged Care		2,620	2,447
Council Properties		430	606
Engineering Services		128	127
Holiday Parks		8,150	7,815
Illawarra Inhome Support		179	184
Leisure Centre		1,227	918
Library & Family History Centre		82	65
Public Cemeteries		204	301
Saddleback Mtn Tower		105	77
Waste Disposal Tipping Fees		96	145
Other		322	211
Total Fees & Charges - Other		13,543	12,896
TOTAL USER CHARGES & FEES		15,304	14,031

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		33	39
- Interest earned on Investments (interest & coupon payment income)		1,331	1,412
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		355	273
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,719</u>	<u>1,724</u>

Interest Revenue is attributable to:

Unrestricted Investments/Financial Assets:

Overdue Rates & Annual Charges (General Fund)	33	39
General Council Cash & Investments	1,574	1,547

Restricted Investments/Funds - External:

Development Contributions		
- Section 94	112	138

Total Interest & Investment Revenue Recognised	1,719	1,724
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(d) Other Revenues

Fair Value Adjustments - Investment Properties	14	-	1,899
Rental Income - Investment Properties	14	70	70
Rental Income - Other Council Properties		113	89
Fines - Parking		37	11
Fines - Other		23	43
Legal Fees Recovery - Other		-	14
Admin Sundry Income		108	65
Deferred Payment Liabilities Amortisation		2,268	2,655
Diesel Fuel Rebate		35	29
Engineering Income		8	43
Insurance Claim Recoveries		788	233
Motor Vehicle Leaseback		211	207
Recycling Income (non domestic)		22	20
Section 88 Rebate		108	130
SES Storm Damage Recovery		89	617
Workers Comp. Refund		80	79
Other		399	249
<u>TOTAL OTHER REVENUE</u>		<u>4,359</u>	<u>6,453</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance ¹	735	1,345	-	-
Pensioners' Rates Subsidies - General Component	242	236	-	-
Total General Purpose	977	1,581	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Blue Haven Retirement Village	3,138	3,540	-	-
Bushfire & Emergency Services	203	152	-	-
Centre Based Day Care	51	37	-	-
Community Development	7	-	-	-
Community Options Program	465	470	-	-
Community Transport	273	107	-	-
Cultural Development	300	90	-	-
Domestic Assistance	351	431	-	-
Environmental Protection	48	-	-	-
HACC Transition Funding	-	70	-	-
Home Maintenance	186	182	-	-
Illawarra Inhome Support Program	1,573	1,458	-	-
Library	62	64	-	-
NBN	-	332	-	-
Personal Care	19	19	-	-
Reserve Improvements	35	15	-	-
Respite Service	123	134	-	-
Road Safety Program	19	5	-	-
Social Support	174	168	-	-
Street Lighting	24	24	-	-
Traffic Facilities/Black Spot Program	-	-	249	113
Trainees	22	22	-	-
Transport	-	-	-	119
Transport (Roads to Recovery)	220	220	-	-
LIRS Interest Subsidy	166	32	-	-
CCTV	50	-	-	-
Youth Belonging	50	-	-	-
Organics and Recycling	190	-	272	-
Kiama Harbour Redevelopment	-	-	674	-
Storm Damage Recovery	475	-	-	-
Other	77	146	10	-
Total Specific Purpose	8,301	7,718	1,205	232
Total Grants	9,278	9,299	1,205	232
Grant Revenue is attributable to:				
- Commonwealth Funding	5,173	5,786	-	-
- State Funding	4,063	3,513	1,205	232
- Other Funding	42	-	-	-
	9,278	9,299	1,205	232

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	578	385
Total Developer Contributions 17	-	-	578	385
Other Contributions:				
Admin Support	123	143	-	-
Community Bus	34	31	-	-
Insurance	112	43	-	-
Recreation & Culture	-	37	-	-
RMS Contributions (Regional Roads, Block Grant)	595	667	-	-
Other	35	69	-	-
Total Other Contributions	899	990	-	-
Total Contributions	899	990	578	385
TOTAL GRANTS & CONTRIBUTIONS	10,177	10,289	1,783	617

\$ '000	Actual 2014	Actual 2013
(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	3,105	4,390
add: Grants & contributions recognised in the current period but not yet spent:	1,971	749
less: Grants & contributions recognised in a previous reporting period now spent:	(740)	(2,034)
Net Increase (Decrease) in Restricted Assets during the Period	1,231	(1,285)
Unexpended and held as Restricted Assets	4,336	3,105
Comprising:		
- Specific Purpose Unexpended Grants	1,251	340
- Developer Contributions	3,085	2,765
	4,336	3,105

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		17,660	16,821
Travelling		1	-
Employee Leave Entitlements (ELE)		2,033	2,100
Superannuation		1,972	1,888
Workers' Compensation Insurance		849	1,357
Fringe Benefit Tax (FBT)		65	38
Training Costs (other than Salaries & Wages)		82	116
Other		54	34
Total Employee Costs		22,716	22,354
less: Capitalised Costs		(468)	(210)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>22,248</u>	<u>22,144</u>
Number of "Equivalent Full Time" Employees at year end		265	257
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		306	241
Interest on Advances		87	101
Other Debts		-	3
Total Interest Bearing Liability Costs Expensed		393	345
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>393</u>	<u>345</u>
(c) Materials & Contracts			
Raw Materials & Consumables		12,087	10,814
Contractor & Consultancy Costs		4,101	4,516
Auditors Remuneration ⁽¹⁾		47	40
Legal Expenses:			
- Legal Expenses: Planning & Development		82	38
- Legal Expenses: Other		28	29
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		90	138
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>16,435</u>	<u>15,575</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
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		42	39
- Other audit & assurance services		5	1
Remuneration for audit and other assurance services		47	40
Total Auditor Remuneration		47	40
2. Operating Lease Payments are attributable to:			
Other		90	138
		90	138

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,664	1,538
Office Equipment		-	-	131	166
Furniture & Fittings		-	-	132	130
Land Improvements (depreciable)		-	-	106	93
Buildings - Non Specialised		-	-	448	368
Buildings - Specialised		-	-	2,891	2,104
Other Structures		-	-	183	213
Infrastructure:					
- Roads		-	-	2,617	3,039
- Bridges		-	-	272	-
- Footpaths		-	-	242	-
- Stormwater Drainage		-	-	242	268
Other Assets					
- Library Books		-	-	44	44
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,972	7,963

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		195	192
- Crown Reserve Levy		339	306
Councillor Expenses - Mayoral Fee		22	21
Councillor Expenses - Councillors' Fees		92	90
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		45	168
Donations, Contributions & Assistance to other organisations (Section 356)		210	167
Electricity & Heating		873	730
Holiday Parks Promotion/Membership		164	185
Insurance		420	532
Kiama Tourism		247	240
Revaluation Decrements (Fair Valuation of Investment Properties)	14	4,415	-
Street Lighting		380	382
Telephone & Communications		199	202
Other		12	39
<u>TOTAL OTHER EXPENSES</u>		<u>7,613</u>	<u>3,254</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		655	919
less: Carrying Amount of P&E Assets Sold / Written Off		(1,388)	(632)
Net Gain/(Loss) on Disposal		(733)	287
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		3,119	4,295
less: Carrying Amount of Real Estate Assets Sold / Written Off		(1,435)	(1,467)
Net Gain/(Loss) on Disposal		1,684	2,828
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		29,769	24,085
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(29,769)	(24,085)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>951</u>	<u>3,115</u>

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

		2014	2014	2013	2013
\$ '000	Notes	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,521	-	1,651	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,000	-	-	-
Total Cash & Cash Equivalents		3,521	-	1,651	-
Investments (Note 6b)					
- Long Term Deposits		32,996	-	29,541	-
- CDO's		386	-	312	-
- FRN's (with Maturities > 3 months)		947	-	894	-
Total Investments		34,329	-	30,747	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		37,850	-	32,398	-

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"		3,521	-	1,651	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,333	-	1,206	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	32,996	-	29,541	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		34,329	-	30,747	-

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 6b. Investments (continued)

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	1,206	-	1,761	-
Revaluations (through the Income Statement)	355	-	273	-
Disposals (sales & redemptions)	(228)	-	(828)	-
Balance at End of Year	1,333	-	1,206	-
Comprising:				
- CDO's	386	-	312	-
- FRN's (with Maturities > 3 months)	947	-	894	-
Total	1,333	-	1,206	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	29,541	-	23,257	-
Additions	32,996	-	29,541	-
Disposals (sales & redemptions)	(29,541)	-	(23,257)	-
Balance at End of Year	32,996	-	29,541	-
Comprising:				
- Long Term Deposits	32,996	-	29,541	-
Total	32,996	-	29,541	-
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 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	37,850	-	32,398	-
attributable to:				
External Restrictions (refer below)	6,135	-	5,076	-
Internal Restrictions (refer below)	26,061	-	21,534	-
Unrestricted	5,654	-	5,788	-
	37,850	-	32,398	-

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	1,131	-	(691)	440
External Restrictions - Included in Liabilities	1,131	-	(691)	440

External Restrictions - Other

Developer Contributions - General (D)	2,765	690	(370)	3,085
Specific Purpose Unexpended Grants (F)	340	1,206	(295)	1,251
Domestic Waste Management (G)	840	519	-	1,359
External Restrictions - Other	3,945	2,415	(665)	5,695
Total External Restrictions	5,076	2,415	(1,356)	6,135

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 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	698	135	(41)	792
Carry Over Works	1,732	1,261	(1,732)	1,261
Blue Haven ILU	4,053	532	(530)	4,055
Blue Haven Hostel	5,407	966	(100)	6,273
Blue Haven Nursing Home	2,004	333	(365)	1,972
S94 Recoupments	352	11	-	363
Land Development	4,012	2,966	(897)	6,081
Waste Business Unit	1,025	1,240	(848)	1,417
Holiday Parks	795	402	-	1,197
Contingencies	312	895	(183)	1,024
Plant Replacement	651	241	(8)	884
Community Bus	152	58	-	210
Computer	-	200	-	200
Property Insurance	120	-	-	120
CACP	8	-	-	8
Waste & Sustainability	213	122	(131)	204
Total Internal Restrictions	21,534	9,362	(4,835)	26,061
TOTAL RESTRICTIONS	26,610	11,777	(6,191)	32,196

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		310	77	229	119
Interest & Extra Charges		6	40	19	67
User Charges & Fees		897	-	569	-
Private Works		40	-	48	-
Capital Debtors (being sale of assets)					
- Sale of Land		-	263	-	-
Accrued Revenues					
- Other Income Accruals		986	-	858	-
Government Grants & Subsidies		372	-	392	-
Net GST Receivable		28	-	8	-
Other - Advances to Public		2	423	2	532
Other - Holiday Park Charges		433	-	405	-
Other - GST Refund on land sales		-	-	461	-
Other - Insurance claim		211	-	-	-
Total		3,285	803	2,991	718
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>3,205</u>	<u>803</u>	<u>2,911</u>	<u>718</u>
Externally Restricted Receivables					
Domestic Waste Management		-	130	-	130
Total External Restrictions		-	130	-	130
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,205	673	2,911	588
TOTAL NET RECEIVABLES		3,205	803	2,911	718

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 9.00% (2013 10.00%).
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 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	-	1,369	-
Stores & Materials		163	-	229	-
Trading Stock		38	-	(27)	-
Total Inventories		201	-	1,571	-
Other Assets					
Prepayments		9	-	7	-
Total Other Assets		9	-	7	-
TOTAL INVENTORIES / OTHER ASSETS		210	-	1,578	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

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

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

Represented by:

Acquisition Costs	-	-	130	-
Development Costs	-	-	1,239	-
Total Costs	-	-	1,369	-
Total Real Estate for Resale	-	-	1,369	-

Movements:

Real Estate assets at beginning of the year	1,369	-	2,417	-
- Purchases and other costs	66	-	419	-
- WDV of Sales (exp)	(1,435)	-	(1,467)	-
Total Real Estate for Resale	-	-	1,369	-

(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;

	2014	2013
Real Estate for Resale	-	913
	-	913

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	436	-	-	-	436	1,275	-	-	(436)	-	-	1,275	-	-	-	1,275
Plant & Equipment	-	13,643	8,301	-	5,342	1,938	(496)	(1,664)	-	-	-	-	14,403	9,284	-	5,119
Office Equipment	-	2,370	1,957	-	413	116	-	(131)	-	-	-	-	2,486	2,088	-	398
Furniture & Fittings	-	2,361	1,777	-	584	95	-	(132)	-	-	-	-	2,455	1,908	-	547
Land:																
- Operational Land	-	56,858	-	-	56,858	-	-	-	-	(5,403)	-	-	51,455	-	-	51,455
- Community Land	-	36,995	-	-	36,995	-	-	-	-	-	-	-	36,995	-	-	36,995
- Land under Roads (post 30/6/08)	-	32	-	-	32	-	-	-	-	(3)	-	-	28	-	-	28
Land Improvements - non depreciable	-	2,707	-	-	2,707	9	(99)	-	-	(431)	-	-	2,186	-	-	2,186
Land Improvements - depreciable	-	3,067	1,968	-	1,099	95	(2)	(106)	-	-	-	-	2,079	993	-	1,086
Buildings - Non Specialised	-	19,686	7,508	-	12,178	124	-	(448)	-	(102)	-	-	19,587	7,836	-	11,751
Buildings - Specialised	-	84,229	31,113	-	53,116	599	(21)	(2,891)	328	(9)	-	-	84,636	33,512	-	51,124
Other Structures	-	16,189	8,891	-	7,298	96	(188)	(183)	66	-	-	-	14,377	7,288	-	7,089
Infrastructure:																
- Roads	-	155,837	85,396	-	70,441	2,769	(533)	(2,617)	42	-	1,552	-	112,094	59,815	-	52,279
- Bridges	-	-	-	-	-	226	-	(272)	-	(842)	-	-	25,771	14,082	-	11,689
- Footpaths	-	-	-	-	-	439	(8)	(242)	-	(1,823)	-	-	8,581	3,417	-	5,164
- Bulk Earthworks (non-depreciable)	-	29,330	-	-	29,330	-	-	-	-	(2,112)	-	-	27,219	-	-	27,219
- Stormwater Drainage	-	26,793	7,872	-	18,921	-	(41)	(242)	-	(2,332)	-	-	24,114	7,808	-	16,306
Other Assets:																
- Library Books	-	1,477	1,152	-	325	70	-	(44)	-	-	-	-	1,547	1,196	-	351
- Other	-	-	-	-	-	94	-	-	-	-	-	-	94	-	-	94
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	436	451,574	155,935	-	296,075	7,945	(1,388)	(8,972)	-	(13,057)	1,552	1,275	430,107	149,227	-	282,155

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$3844) and New Assets (\$1196).

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Revaluation Increments and Decrements have resulted from an inventory audit to improve existing asset dimensional data. The revaluations were calculated using current unit rates being applied against the improved asset data.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	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	2,878	-	2,596	282	3,321	-	2,957	364
Land								
- Operational Land	140	-	-	140	140	-	-	140
Total DWM	3,018	-	2,596	422	3,461	-	2,957	504
TOTAL RESTRICTED I,PP&E	3,018	-	2,596	422	3,461	-	2,957	504

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 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,346	-	2,744	-
Payments Received In Advance		61	-	43	-
Accrued Expenses:					
- Other Expenditure Accruals		200	-	114	-
Residential Aged Care Accommodation Bonds		2,724	-	2,014	-
Retirement Village Loan Licence Agreement		55,566	-	56,522	-
Security Bonds, Deposits & Retentions		1,790	-	1,595	-
Total Payables		63,687	-	63,032	-
Borrowings					
Loans - Secured ¹		616	4,808	561	3,477
Government Advances		346	1,517	346	1,858
Total Borrowings		962	6,325	907	5,335
Provisions					
Employee Benefits;					
Annual Leave		1,501	-	1,452	-
Sick Leave		665	-	706	-
Long Service Leave		3,636	-	3,549	-
ELE On-Costs		145	-	145	-
Total Provisions		5,947	-	5,852	-
Total Payables, Borrowings & Provisions		70,596	6,325	69,791	5,335

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	-	-	65	-
Liabilities relating to externally restricted assets	-	-	65	-
Internally Restricted Assets				
Nil	-	-	-	-
Total Liabilities relating to restricted assets	-	-	65	-
Total Liabilities relating to Unrestricted Assets	70,596	6,325	69,726	5,335
TOTAL PAYABLES, BORROWINGS & PROVISIONS	70,596	6,325	69,791	5,335

^{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 2014

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

	Actual 2014	Actual 2013
\$ '000		
(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	3,271	3,219
Other Liabilities: Payables	58,516	57,914
	61,786	61,132

Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014				
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	1,452	1,088	(1,039)	-	-	1,501
Sick Leave	706	(41)	-	-	-	665
Long Service Leave	3,549	455	(368)	-	-	3,636
ELE On-Costs	145	-	-	-	-	145
TOTAL	5,852	1,502	(1,407)	-	-	5,947

- 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	3,521	1,651
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		3,521	1,651
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(4,102)	3,528
Adjust for non cash items:			
Depreciation & Amortisation		8,972	7,963
Net Losses/(Gains) on Disposal of Assets		(951)	(3,115)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(355)	(273)
- Investment Properties		4,415	(1,899)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(29)	(152)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(116)	(669)
Decrease/(Increase) in Inventories		1	13
Decrease/(Increase) in Other Assets		(2)	-
Increase/(Decrease) in Payables		602	87
Increase/(Decrease) in other accrued Expenses Payable		86	54
Increase/(Decrease) in Other Liabilities		(33)	(862)
Increase/(Decrease) in Employee Leave Entitlements		95	315
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		8,583	4,990

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(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		150	110
Total Financing Arrangements		2,150	2,110
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		128	-
Total Financing Arrangements Utilised		128	-

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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
---------	-------	----------------	----------------

(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	36	3
Later than one year and not later than 5 years	101	-
Total Non Cancellable Operating Lease Commitments	137	3

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	269	262
Total Commitments	269	262

These expenditures are payable as follows:

Within the next year	269	262
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total Payable	269	262

(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 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(2,805)	-5.79%	-5.41%	-1.21%
Total continuing operating revenue ⁽¹⁾	48,441			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	38,264	76.19%	76.98%	75.10%
Total continuing operating revenue ⁽¹⁾	50,224			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	38,723	4.40 : 1	4.01	3.38
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	8,810			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	6,560	4.78	4.76	5.27
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	1,373			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	398	2.25%	2.35%	3.05%
Rates, Annual and Extra Charges Collectible	17,669			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	36,517	9.69	8.26	6.92
Payments from cash flow of operating and financing activities	3,768			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

⁽²⁾ Refer Notes 6-8 inclusive.

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

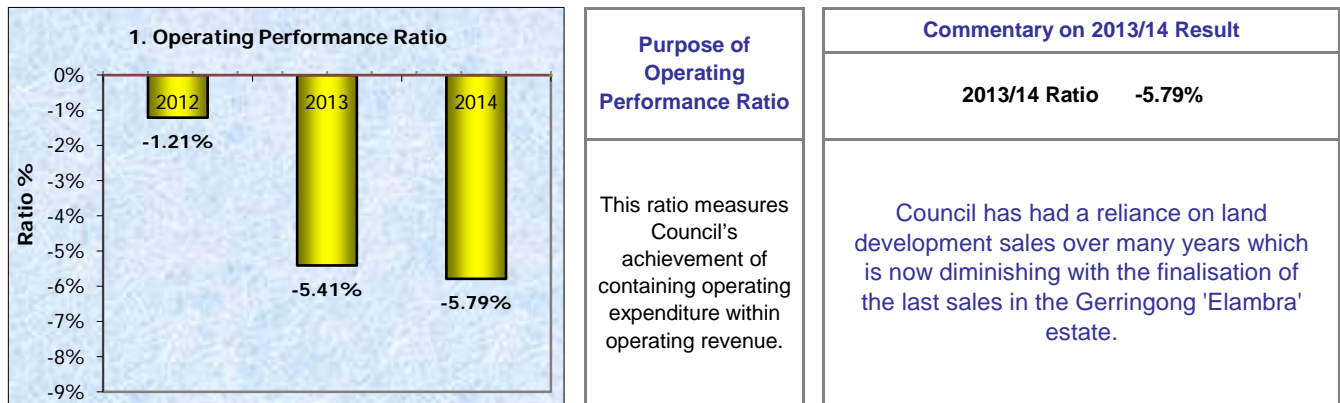
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Kiama Municipal Council

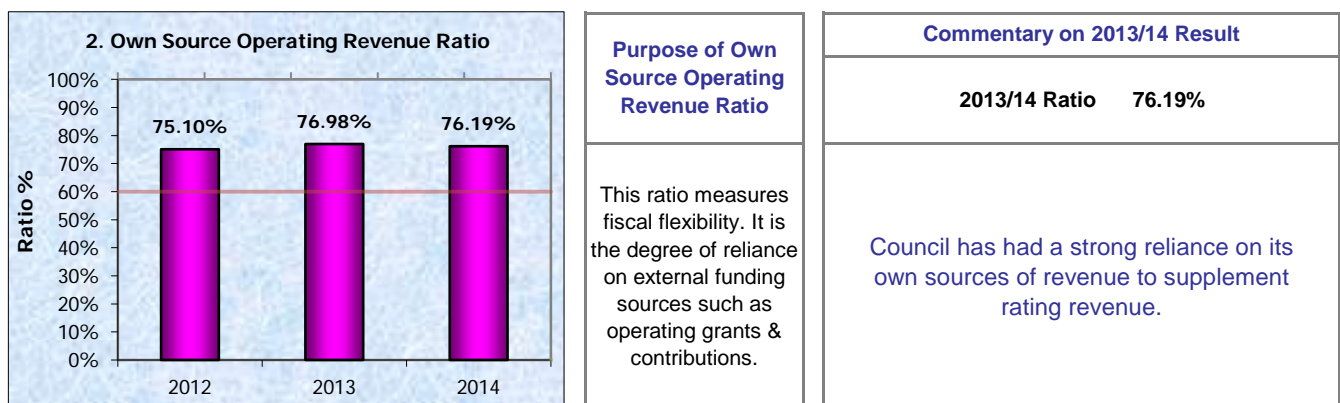
Notes to the Financial Statements for the financial year ended 30 June 2014

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



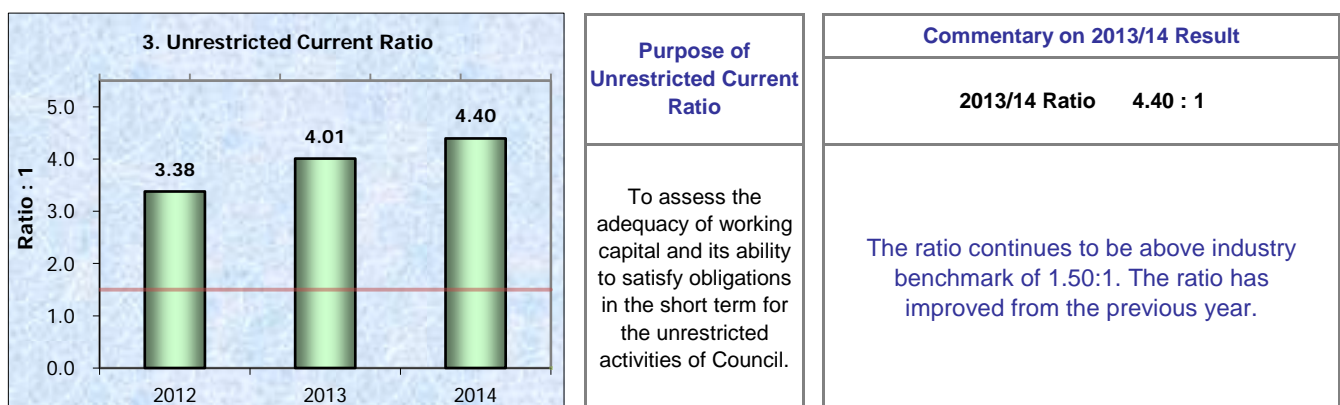
Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



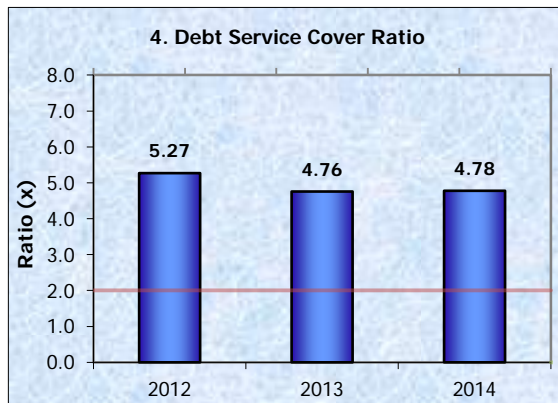
Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

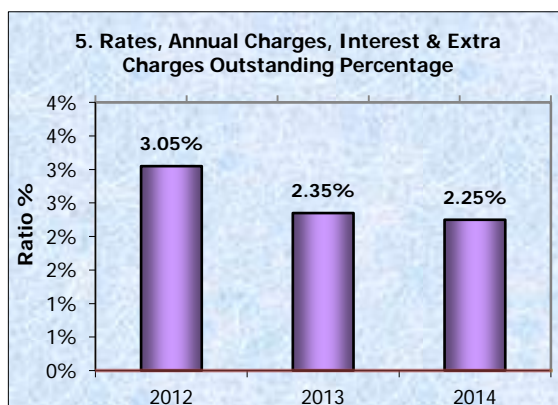
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result

2013/14 Ratio 4.78

Council is in a strong position to service debt with the benchmark being greater than 2(x).



— Maximum urban

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

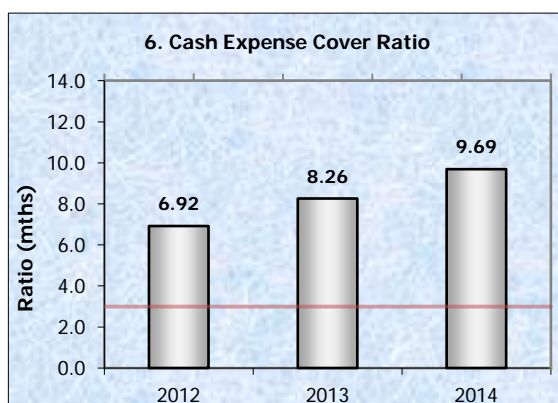
Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result

2013/14 Ratio 2.25%

This ratio continues to remain within the industry benchmark of 5% and is an improvement on previous years.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result

2013/14 Ratio 9.69

Council is in a good position to continue paying its immediate expenses with the benchmark being greater than two months.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
Investment Properties on Hand		76,131	80,546
Reconciliation of Annual Movement:			
Opening Balance		80,546	78,647
- Net Gain/(Loss) from Fair Value Adjustments		(4,415)	1,899
CLOSING BALANCE - INVESTMENT PROPERTIES		76,131	80,546

(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 2014 revaluations were based on Independent Assessments made by:
Nelson Partners

(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 receivable as follows:

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

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments 70 70

Direct Operating Expenses on Investment Properties:

- that generated rental income (19) (10)

- that did not generate rental income (948) (774)

Net Revenue Contribution from Investment Properties (897) (714)

plus:

Fair Value Movement for year (4,415) 1,899

Total Income attributable to Investment Properties (5,312) 1,185

Refer to Note 27- Fair Value Measurement for information regarding the fair value of investment properties held.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	3,521	1,651	3,521	1,651
Investments				
- "Held for Trading"	1,333	1,206	1,333	1,206
- "Held to Maturity"	32,996	29,541	33,004	29,541
Receivables	4,008	3,629	3,966	3,708
Total Financial Assets	41,858	36,027	41,824	36,106
Financial Liabilities				
Payables	63,626	62,989	63,547	62,990
Loans / Advances	7,287	6,242	7,287	6,242
Total Financial Liabilities	70,913	69,231	70,834	69,232

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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(a) 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's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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 risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there 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.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **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
2014				
Possible impact of a 10% movement in Market Values	3,785	3,785	(3,785)	(3,785)
Possible impact of a 1% movement in Interest Rates	378	378	(378)	(378)
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)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) 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.

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

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	80%	87%	64%	71%
Overdue	20%	13%	36%	29%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	310	3,238	222	2,378
Past due by more than 90 days	77	463	126	983
	387	3,701	348	3,361
(iii) Movement in Provision for Impairment of Receivables			2014	2013
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 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) 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 maturity 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		
2014									
Trade/Other Payables	1,790	61,836	-	-	-	-	-	63,626	63,626
Loans & Advances	-	963	1,091	1,091	1,091	1,091	1,960	7,287	7,287
Total Financial Liabilities	1,790	62,799	1,091	1,091	1,091	1,091	1,960	70,913	70,913
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

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	63,626	0.0%	62,989	0.0%
Loans & Advances - Fixed Interest Rate	5,425	5.9%	4,038	6.1%
Loans & Advances - Variable Interest Rate	1,862	4.0%	2,204	4.0%
	<u>70,913</u>		<u>69,231</u>	

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 25 June 2013.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	17,240	17,237	(3)	(0%) U
User Charges & Fees	13,627	15,304	1,677	12% F
Significant plant hire by contractors of the Gerringong Bypass contributed to increased revenue by \$578K. Holiday Parks revenue increased by \$630K from increased usage of the five Parks. Blue Haven Nursing Home/Hostel/Independent Living Units contributions increased by \$244K				
Interest & Investment Revenue	1,259	1,719	460	37% F
Fair Valuation movements in Investments (at FV or Held for Trading) increase not budgetted for \$355K. Increase in investment income for S94 developer funds, loan funds and general investments \$72K.				
Other Revenues	2,068	4,359	2,291	111% F
Storm Damage recovery of \$227K and insurance claim recovery of \$561K for Leisure Centre. Deferred Payment Liabilities Amortisation increased by \$1M due to turnover of Blue Haven Units.				
Operating Grants & Contributions	9,469	10,177	708	7% F
Capital Grants & Contributions	770	1,783	1,013	132% F
Increased S94 Developer contributions of \$478K. Kiama Harbour Grants of \$674K not included in original budget.				
Net Gains from Disposal of Assets	3,625	951	(2,674)	(74%) U
The carrying amount of real estate assets sold of \$1.4M was never included in the original estimates. A number of infrastructure assets were written off the assets register and increased the carrying value by \$900K.				
Share of Net Profits - Joint Ventures & Associates	-	29	29	0% F
Share of net profit not budgetted for.				

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	21,885	22,248	(363)	(2%) U
Borrowing Costs	430	393	37	9% F
Materials & Contracts	14,520	16,435	(1,915)	(13%) U
Increased costs associated with increase in Plant hire. Revoted works from 2012/13 totalled \$800K. Storm damage works of \$493K and increased renovation costs for Blue Haven ILU of \$220K.				
Depreciation & Amortisation	7,900	8,972	(1,072)	(14%) U
The increase in fair value of Building assets in 2012/13 was not budgetted for in depreciation which increased by \$867K.				
Other Expenses	3,438	7,613	(4,175)	(121%) U

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

Cash Flows from Operating Activities	2,763	8,583	5,820	210.6%	F
Blue Haven amortisation increased by \$1.0M, User Charges increased by \$1.7M & Grants & contributions by \$1.7M. Materials & contracts expenditure increased by \$2.0M.					
Cash Flows from Investing Activities	(3,347)	(7,758)	(4,411)	131.8%	U
Council does not budget for changes in short term investments purchased with a net increase of \$3.2M. Revotes of expenditure for capital purchases increased payments by \$879K.					
Cash Flows from Financing Activities	1,011	1,045	34	3.4%	F

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	193	50	-	6	(61)	-	188	597	(785)	-	-
Parking	151	-	-	6	-	-	157	1,737	(1,894)	-	-
Open Space	(22)	-	-	-	-	-	(22)	72	(50)	-	-
Community Facilities	432	326	-	17	(348)	-	427	4,669	(5,096)	-	-
Other - Council Cham.	1,927	102	-	79	-	75	2,183	1,497	(3,680)	-	-
Other	5	4	-	-	(1)	-	8	58	(66)	-	-
S94 Contributions - under a Plan	2,686	482	-	108	(410)	75	2,941	8,630	(11,571)	-	-
S94A Levies - under a Plan	79	96	-	4	(35)	-	144				-
Total S94 Revenue Under Plans	2,765	578	-	112	(445)	75	3,085				-
Total Contributions	2,765	578	-	112	(445)	75	3,085	8,630	(11,571)	-	-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	-	30	-	-	(30)	-	-	436	(436)	-	-
Community Facilities	237	273	-	10	(299)	-	221	3,985	(4,206)	-	-
Other - Council Cham.	1,927	102	-	79	-	75	2,183	1,497	(3,680)	-	-
Other	5	3	-	-	-	-	8	27	(35)	-	-
Total	2,169	408	-	89	(329)	75	2,412	5,945	(8,357)	-	-

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)	-	-	75	(75)	-	-
Community Facilities	23	21	-	1	(17)	-	28	607	(635)	-	-
Other	-	1	-	-	(1)	-	-	27	(27)	-	-
Total	23	24	-	1	(20)	-	28	709	(737)	-	-

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	-	18	-	-	(18)	-	-	57	(57)	-	-
Community Facilities	-	32	-	-	(32)	-	-	99	(99)	-	-
Total	-	50	-	-	(50)	-	-	156	(156)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	151	-	-	6	-	-	157	819	(976)	-	-
Total	151	-	-	6	-	-	157	819	(976)	-	-

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	-	-	-	-	-	-	-	642	(642)	-	-
Total	-	-	-	-	-	-	-	642	(642)	-	-

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	-	-	-	-	-	-	-	276	(276)	-	-
Total	-	-	-	-	-	-	-	276	(276)	-	-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	172	-	-	6	(11)	-	167	(88)	(79)	-	-
Open Space	(22)	-	-	-	-	-	(22)	67	(45)	-	-
Community Facilities	167	-	-	6	-	-	173	(63)	(110)	-	-
Other	-	-	-	-	-	-	-	4	(4)	-	-
Total	317	-	-	12	(11)	-	318	(80)	(238)	-	-

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	21	-	-	-	-	-	21	117	(138)	-	-
Open Space	-	-	-	-	-	-	-	5	(5)	-	-
Community Facilities	5	-	-	-	-	-	5	41	(46)	-	-
Total	26	-	-	-	-	-	26	163	(189)	-	-

S94A LEVIES - UNDER A PLAN

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	34	28	-	1	-	-	63	300	(363)		-
Open Space	45	68	-	3	(35)	-	81	718	(799)		-
Total	79	96	-	4	(35)	-	144				-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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 its 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 2014

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 2014

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;

Joint Venture Entities

Note 19(a)

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

Under Joint Venture Entities, Council Jointly Controls the Operations with other parties.

Accounting Recognition:

(i) Joint Venture Entities as per Note 19(a) 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 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	29	152	181	152
Total	29	152	181	152

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

(a) Joint Venture Entities

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Metro Pool	Public Liability & Prof Indemnity	50	52
United Independent Pool	Property and vehicle etc.	131	100
Total Carrying Amounts - Joint Venture Entities		181	152

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Metro Pool			1%	1%		
United Independent Pool			2%	2%		

(c) Movement in Carrying Amounts

	Metro Pool		United Independent Pool	
	2014	2013	2014	2013
Opening Balance	52	-	100	-
Share in Operating Result	(2)	52	31	100
Council's Equity Share in the Joint Venture Entity	50	52	131	100

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Metro Pool	327	-	44	233	50
United Independent Pool	160	71	28	72	131
Totals	487	71	72	305	181
2013					
Metro Pool	200	-	148	-	52
United Independent Pool	100	-	-	-	100
Totals	300	-	148	-	152

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Metro Pool	-	2	(2)	52	-	52
United Independent Pool	31	-	31	100	-	100
Totals	31	2	29	152	-	152

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
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(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		148,934	145,406
a. Net Operating Result for the Year		(4,102)	3,528
Balance at End of the Reporting Period		144,832	148,934

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	155,637	167,142
- Investments Properties Revaluation Reserve	26,738	26,738
- Intangibles Revaluation Reserve	2,400	2,400
Total	184,775	196,280

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	167,142	148,139
- Revaluations for the year	(11,505)	19,003
- Balance at End of Year	155,637	167,142

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

184,775	196,280
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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

- The Investment Properties Revaluation Reserve is used to record increments/decrements of Investment Properties due to their revaluation.

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 2014

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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

	2014	2014	2013	2013
\$ '000	Current	Non Current	Current	Non Current

(i) Non Current Assets & Disposal Group Assets

Non Current Assets "Held for Sale"

Land	3,593	-	3,562	-
Total Non Current Assets "Held for Sale"	3,593	-	3,562	-

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"	3,593	-	3,562	-
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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.

	Assets "Held for Sale"	
\$ '000	2014	2013

(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations

Opening Balance	3,562	3,525
Balance still unsold after 12 months:	3,562	3,525
- Purchases (Land) during the year	31	37
Closing Balance of "Held for Sale"	3,593	3,562
Non Current Assets & Operations	3,593	3,562

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) 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 03/11/14.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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 2014

Note 25. Intangible Assets

	Actual 2014	Actual 2013
\$ '000		
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	2,400	2,400
Accumulated Amortisation (1/7)	-	-
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	2,400	2,400
Closing Values:		
Gross Book Value (30/6)	2,400	2,400
Accumulated Amortisation (30/6)	-	-
Accumulated Impairment (30/6)	-	-
<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 2014

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Investment Property
- Infrastructure, Property, Plant and Equipment
- Non Current Assets classified as "Held for Sale"
- Financial Assets and Liabilities

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

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Trading"	30/06/14	-	-	1,333	1,333
- "Held to Maturity"	30/06/14	32,996	-	-	32,996
Other Financial Assets	30/06/14	3,521	-		3,521
Total Financial Assets		36,517	-	1,333	37,850
Financial Liabilities					
Payables	30/06/14	63,626	-	-	63,626
Loans / Advances	30/06/14	7,287	-	-	7,287
Total Financial Liabilities		70,913	-	-	70,913
Investment Properties					
Other	30/06/14	-	-	1,261	1,261
Blue Haven ILU	30/06/14	-	-	74,870	74,870
Total Investment Properties		-	-	76,131	76,131

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values (continued):

		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	Valuation	active mkts	inputs	inputs	
Recurring Fair Value Measurements (continued)					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	5,119	5,119
Office Equipment	30/06/14	-	-	398	398
Furniture & Fittings	30/06/14	-	-	547	547
Operational Land	30/06/13	-	-	51,455	51,455
Community Land	30/06/14	-	-	36,995	36,995
Land Under Roads	30/06/14	-	-	29	29
Land Improvements - non depreciable	30/06/14	-	-	2,186	2,186
Land Improvements - depreciable	30/06/14	-	-	1,086	1,086
Buildings - non specialised	30/06/13	-	-	11,751	11,751
Buildings - specialised	30/06/13	-	-	51,124	51,124
Other Structures	30/06/14	-	-	7,089	7,089
Roads	30/06/14	-	-	69,131	69,131
Bulk Earthworks - non depreciable	30/06/14	-	-	27,219	27,219
Stormwater Drainage	30/06/14	-	-	16,306	16,306
Library Books	30/06/14	-	-	351	351
Other	30/06/14	-	-	94	94
Work In Progress	30/06/14	-	-	1,275	1,275
Total Infrastructure, Property, Plant & Equipment		-	-	282,155	282,155
Non Current Assets classified as "Held for Sale"					
Land	30/06/14	-	-	3,593	3,593
Total NCA's classified as "Held for Sale"		-	-	3,593	3,593

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

The Valuation techniques prescribed by AASB13 can be summarised as:

Cost Approach – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Financial Assets

Held for Trading

These investments are represented by CDO's and FRN's. Council obtains valuations from its Investment Custodian, Australia and New Zealand Banking Group Limited, on a monthly basis and at the end of the reporting period to ensure the financial statements reflect the most up-to-date valuation. The valuations quoted are either sourced from market providers and participants or calculated using ANZ's own internal models and calculation methods and is based on or uses other available pricing information where considered relevant. Numerous factors may affect the information, which may or may not have been taken into account. The information provided may vary significantly from information obtained from other sources or other market participants. There are no observable inputs for this class of Financial Asset and there have been no change to the valuation process during the reporting period.

Investment Properties

Council obtains independent valuations of its investment property every 3 years by a qualified valuer who has experience in the location of the property. Every other year a desktop valuation is obtained. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

As at 30 June 2014 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners, Barry Coad, Senior Valuer. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation. The valuation has been based on calculations using discount rates, analysis of period of turnover of units and the appropriate length of time and inflationary rates and incorporates the traditional method accepted in the market place for valuing the owner's interest of the Villages to date.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

As at 30 June 2014 the valuation for the remaining Investment properties was calculated by applying an index to the valuation as at 30 June 2013. The index applied was CPI at 2.50%

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at Fair Value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to valuation process during the reporting period.

Land Improvements – non depreciable

Non depreciable land improvements are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated useful life and the residual value. There has been no change to the valuation process during the reporting period.

Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton FAPI, Certified Practising Valuer, Registered Valuer No. 2144. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

The 'cost approach' using Level 3 inputs was used to value the road infrastructure, including estimates of patterns of consumption, residual value, asset condition and useful life, requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there was some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Bulk Earthworks – non depreciable

This asset class comprises bulk earthworks required for cycleways, roadwork and around the harbour. These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Library Books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Other

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

Non Current Assets classified as "Held for Sale"

This asset class comprises a parcel of land "held for sale" and is valued at cost but disclosed at fair value in the notes. The carrying amount of this asset is assumed to approximate fair value. There has been no change to the valuation process during the reporting period.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Investment Property Blue Haven ILU	Investment Property Other	Plant & Equipment	Office Equipment	Total
Adoption of AASB 13	79,316	1,230	5,342	413	86,301
Closing Balance - 30/6/13	79,316	1,230	5,342	413	86,301
Purchases (GBV)	-	-	1,938	116	2,054
Disposals (WDV)	-	-	(496)	-	(496)
Revaluation	(4,446)	31	-	-	(4,415)
Depreciation & Impairment	-	-	(1,664)	(131)	(1,795)
Closing Balance - 30/6/14	74,870	1,261	5,119	398	81,649

	Furniture & Fittings	Operational Land	Community Land	Land Under Roads	Total
Adoption of AASB 13	584	56,858	36,995	32	94,469
Closing Balance - 30/6/13	584	56,858	36,995	32	94,469
Purchases (GBV)	95	-	-	-	95
Depreciation & Impairment	(132)	-	-	-	(132)
Revaluation	-	(5,403)	-	(3)	(5,406)
Closing Balance - 30/6/14	547	51,455	36,995	29	89,026

	Land Improve- ments non- depreciable	Land Improve- ments depreciable	Buildings Non Specialised	Buildings Specialised	Total
Adoption of AASB 13	2,707	1,099	12,178	53,116	69,100
Closing Balance - 30/6/13	2,707	1,099	12,178	53,116	69,100
Transfers from/(to) another asset class	-	-	-	328	328
Purchases (GBV)	9	95	124	599	827
Disposals (WDV)	(99)	(2)	-	(21)	(122)
Depreciation & Impairment	-	(106)	(448)	(2,891)	(3,445)
Revaluation	(431)	-	(102)	(9)	(542)
Closing Balance - 30/6/14	2,186	1,086	11,751	51,124	66,146

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3) (continued)

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Other Structures	Roads	Bulk Earthworks	Stormwater Drainage	Total
Adoption of AASB 13	7,298	70,441	29,330	18,921	125,990
Closing Balance - 30/6/13	7,298	70,441	29,330	18,921	125,990
Transfers from/(to) another asset class	66	42	-	-	108
Purchases (GBV)	96	3,434	-	-	3,530
Disposals (WDV)	(188)	(541)	-	(41)	(770)
Depreciation & Impairment	(183)	(3,131)	-	(242)	(3,556)
Revaluation	-	(1,113)	(2,112)	(2,332)	(5,557)
Closing Balance - 30/6/14	7,089	69,131	27,219	16,306	119,745

	Library Books	Other	WIP	Held for Sale	Total
Adoption of AASB 13	325	-	436	3,562	4,323
Closing Balance - 30/6/13	325	-	436	3,562	4,323
Transfers from/(to) another asset class	-	-	(436)	-	(436)
Purchases (GBV)	70	94	1,275	31	1,470
Depreciation & Impairment	(44)	-	-	-	(44)
Closing Balance - 30/6/14	351	94	1,275	3,593	5,313

	Investments Held to Maturity	Total
Adoption of AASB 13	1,206	1,206
Closing Balance - 30/6/13	1,206	1,206
Disposals (WDV)	(228)	(228)
FV Gains - Income Statement ¹	355	355
Closing Balance - 30/6/14	1,333	1,333

¹ FV Gains recognised in the Income Statement relating to assets still on hand at year end total:
YE 13/14

355 355

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

(4). Fair value measurements using significant unobservable inputs (Level 3)

b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Financial Assets

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Investments – Held to Maturity	1,333	Income	Unit rates	\$0.00 - \$1.00	Significant changes in the estimated unit rates would result in significant change to fair value measurement

Investment Properties

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Blue Haven ILU					
Other					

I, PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	5,119	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 - 14 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Office Equipment	398	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 – 28 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Furniture & Fittings	547	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 – 25 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Operational Land	51,455	Market/Cost	<ul style="list-style-type: none"> Land Value (price p/m²) 	<ul style="list-style-type: none"> \$50 - \$1,500 p/m² 	The rate per square metre changes will increase or decrease the fair value measurement.
Community Land	36,995	Cost	<ul style="list-style-type: none"> Land Value (price p/m²) 	<ul style="list-style-type: none"> \$50 - \$1,500 p/m² 	The rate per square metre changes will increase or decrease the fair value measurement.
Land Under Roads	32	Cost	<ul style="list-style-type: none"> Land Value (price p/m²) 	<ul style="list-style-type: none"> \$50 - \$1,500 p/m² 	The rate per square metre changes will increase or decrease the fair value measurement.
Land Improvements – non depreciable	2,186	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 	Significant changes in the gross replacement value, pattern of consumption effecting the asset condition would result in significant change to fair value measurement
Land Improvements - depreciable	1,086	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 1 – 100 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Buildings – non specialised	11,751	Market/Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 1 - 50 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Buildings – specialised	51,124	Market/Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 1 - 59 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Other Structures	7,089	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 1 – 147 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Roads	69,131	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 1 – 100 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Bulk Earthworks	27,219	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 	Significant changes in the gross replacement value, pattern of consumption effecting the asset condition would result in significant change to fair value measurement
Stormwater Drainage	16,306	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset Poor to excellent 4 – 100 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Library books	351	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 1 – 8 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement
Other	94	Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value 	<ul style="list-style-type: none"> Varies significantly from asset to asset 4 - 6 years 0% - 75% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant change to fair value measurement

Non Current Assets classified as "Held for Sale"

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Land	3,593	Cost	<ul style="list-style-type: none"> Land Value (price p/m²) 	<ul style="list-style-type: none"> \$50 - \$1,500 p/m² 	The rate per square metre changes will increase or decrease the fair value measurement.

c. The Valuation Process for Level 3 Fair Value Measurements

The Council's policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

(5). Highest and best use

All of Council's non financial assets are considered to being utilised for their highest and best use.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. Segment Reporting

\$ '000	Actual 2014	Actual 2013
Residential Aged Care: Blue Haven Nursing Home - RAC ID 2660		
Income Statement		
Income from Continuing Operations		
Resident Fees	1,295	1,139
Other Revenues	13	13
Grants & Contributions provided for Operating Purposes	2,824	2,973
Grants & Contributions provided for Capital Purposes	-	-
Net gains from the disposal of assets	-	-
Total Income from Continuing Operations	4,132	4,125
Expenses from Continuing Operations		
Employee Costs	3,201	3,114
Borrowing Costs	60	65
Care Costs	42	44
Catering Costs	140	142
Cleaning / Laundry Costs	48	57
Repairs & Maintenance Costs	67	80
Utilities Costs	65	81
Depreciation	304	242
Other Expenses	63	58
Net Losses from the Disposal of Assets	8	-
Total Expenses from Continuing Operations	3,998	3,883
Operating Result from Continuing Operations	134	242
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	134	242
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		
	134	242

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. Segment Reporting (continued)

\$ '000	Actual 2014	Actual 2013
Residential Aged Care: Blue Haven Nursing Home - RAC ID 2660		
Balance Sheet		
ASSETS		
Current Assets		
Cash & Cash Equivalents	2,735	2,441
Investments	-	-
Receivables	6	18
Inventories	-	-
Other	-	-
Total Current Assets	2,741	2,459
Non-Current Assets		
Investments	-	-
Receivables	-	8
Inventories	-	-
Infrastructure, Property, Plant & Equipment	9,905	10,174
Investment Property	-	-
Intangible Assets	1,500	1,500
Other	-	-
Total Non-Current Assets	11,405	11,682
TOTAL ASSETS	14,146	14,141
LIABILITIES		
Current Liabilities		
Payables	-	-
Borrowings	95	89
Provisions	275	322
Total Current Liabilities	370	411
Non-Current Liabilities		
Payables	-	-
Borrowings	800	894
Provisions	-	-
Total Non-Current Liabilities	800	894
TOTAL LIABILITIES	1,170	1,305
Net Assets	12,976	12,836
EQUITY		
Retained Earnings	5,574	5,439
Revaluation Reserves	7,402	7,397
Total Equity	12,976	12,836

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. Segment Reporting (continued)

\$ '000	Actual 2014	Actual 2013
Residential Aged Care: Blue Haven Hostel - RAC ID 94		
Income Statement		
Income from Continuing Operations		
Resident Fees	540	512
Other Revenues	199	191
Grants & Contributions provided for Operating Purposes	610	614
Grants & Contributions provided for Capital Purposes	-	-
Net gains from the disposal of assets	-	-
Total Income from Continuing Operations	1,349	1,317
Expenses from Continuing Operations		
Employee Costs	705	672
Borrowing Costs	-	-
Care Costs	11	18
Catering Costs	89	90
Cleaning / Laundry Costs	40	44
Repairs & Maintenance Costs	45	44
Utilities Costs	54	44
Depreciation	186	150
Other Expenses	61	61
Net Losses from the Disposal of Assets	-	-
Total Expenses from Continuing Operations	1,191	1,123
Operating Result from Continuing Operations	158	194
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	158	194
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		
	158	194

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 28. Segment Reporting (continued)

\$ '000	Actual 2014	Actual 2013
Residential Aged Care: Blue Haven Hostel - RAC ID 94		
Balance Sheet		
ASSETS		
Current Assets		
Cash & Cash Equivalents	6,545	5,570
Investments	-	-
Receivables	4	(2)
Inventories	-	-
Other	-	-
Total Current Assets	6,549	5,568
Non-Current Assets		
Investments	-	-
Receivables	(1)	(1)
Inventories	-	-
Infrastructure, Property, Plant & Equipment	5,771	5,963
Investment Property	-	-
Intangible Assets	900	900
Other	-	-
Total Non-Current Assets	6,670	6,862
TOTAL ASSETS	13,219	12,430
LIABILITIES		
Current Liabilities		
Payables	500	500
Borrowings	-	-
Provisions	89	86
Total Current Liabilities	589	586
Non-Current Liabilities		
Payables	-	-
Borrowings	-	-
Provisions	2,150	1,514
Total Non-Current Liabilities	2,150	1,514
TOTAL LIABILITIES	2,739	2,100
Net Assets	10,480	10,330
EQUITY		
Retained Earnings	5,927	5,771
Revaluation Reserves	4,553	4,559
Total Equity	10,480	10,330

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 29. Financial Review

\$ '000

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

Financial Performance Figures	2014	2013	2012	2011	2010
Inflows:					
Rates & Annual Charges Revenue	17,237	16,428	15,435	14,732	13,839
User Charges Revenue	15,304	14,031	14,067	13,787	12,015
Interest & Investment Revenue (Losses)	1,719	1,724	1,484	2,310	2,619
Grants Income - Operating & Capital	10,483	9,531	10,319	9,678	8,842
Total Income from Continuing Operations	51,559	52,809	51,757	47,676	48,202
Sale Proceeds from I,PP&E	3,511	5,214	4,683	843	554
New Loan Borrowings & Advances	2,025	2,553	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	22,248	22,144	20,420	20,016	19,333
Borrowing Costs	393	345	329	847	1,560
Materials & Contracts Expenses	16,435	15,575	15,355	15,247	12,964
Total Expenses from Continuing Operations	55,661	49,281	47,121	47,331	42,741
Total Cash purchases of I,PP&E	7,976	6,190	6,176	4,390	3,360
Total Loan Repayments (incl. Finance Leases)	980	870	1,120	18,644	1,226
Operating Surplus/(Deficit) (excl. Capital Income)	(5,885)	2,911	3,803	(753)	5,461
Financial Position Figures	2014	2013	2012	2011	2010
Current Assets	44,858	40,449	35,167	31,685	44,868
Current Liabilities	70,596	69,791	70,017	70,914	70,914
Net Current Assets	(25,738)	(29,342)	(34,850)	(39,229)	(26,046)
Available Working Capital (Unrestricted Net Current Assets)	(51,025)	(50,041)	24,474	22,571	13,750
Cash & Investments - Unrestricted	5,654	5,788	19,968	19,112	33,849
Cash & Investments - Internal Restrictions	26,061	21,534	1,607	1,365	1,126
Cash & Investments - Total	37,850	32,398	26,847	25,828	40,266
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	7,287	6,242	4,559	5,679	24,323
Total Value of I,PP&E (excl. Land & Earthworks)	313,499	326,088	299,667	294,210	279,307
Total Accumulated Depreciation	149,227	155,935	147,402	139,531	127,968
Indicative Remaining Useful Life (as a % of GBV)	52%	52%	51%	53%	54%

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 2014

Note 30. 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

Phil Mison

PUBLIC OFFICER

Andrew De Montemas

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

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KIAMA MUNICIPAL COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2014

Report on the Financial Report

We have audited the general purpose financial statements of Kiama Municipal Council, which comprises the Statement of Financial Position as at 30 June 2014, 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. Accordingly, no opinion is expressed on these matters.

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 2014, 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:

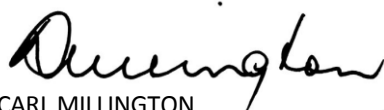
- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance 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.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Kiama Municipal Council for the year ended 30 June 2014 included on Kiama Municipal Council's web site. The Council is responsible for the integrity of the Kiama Municipal Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.



PITCHER PARTNERS



CARL MILLINGTON
Partner

Sydney, 3 November 2014

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KIAMA MUNICIPAL COUNCIL
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT
(Local Government Act, 1993 – Sections 417 (1) and 417(3))
YEAR ENDED 30 JUNE 2014

Kiama Municipal Council has prepared a general purpose financial report for the year ended 30 June 2014 on which we issued a separate audit report to the Council dated 30 October 2014. This report has been prepared in accordance with the requirements of the Division of Local Government and the provisions of Sections 417 (1) and 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 2014 resulted in an unqualified independent audit report for Council's General and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2014 Actual	2014 Budget	* Budget	2013 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result	(4,102)	(115)	3466.96%U	3,528
Operating result before capital revenue	(5,885)	(885)	564.97%U	2,911
Rates & annual charges	17,237	17,240	0.02%U	16,428
Operating grants & contributions	10,177	9,469	7.48%F	10,289
Capital grants & contributions	1,783	770	131.56%F	617
Depreciation & amortisation	8,972	7,900	13.57%U	7,963

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

Operating Result. Council's operating result for the 2014 year was a deficit of \$4.102M compared with a budgeted deficit of \$0.115M and the 2013 operating surplus of \$3.528M. Variations impacting on the operating result for 2014 were the change in timing of the Financial Assistance Grant revenue, the higher cost of depreciation for council's non-current assets due to the effect of the Buildings fair valuation at 30 June 2013 and, most significantly, 30 June 2014 fair valuation of the Blue Haven investment property resulting in an expense of \$4.415M.

Operating Result before Capital. The operating result before Capital grants and contributions was a deficit of \$5.885M compared with the prior year surplus of \$2.911M. This compared with the original 2014 budget deficit of \$0.885M and reflects the actual revenue exceeding 2013 and budget by approximately \$1.0M.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$17.237M from \$16.428M in the prior year, and was in line with expectations for the 2014 year.

Grants and Contributions. Operating grants and contributions for the year totalled \$10.177M and represented 19.74% of total income from continuing operations. This compares with budget of \$9.469M. The favourable result to budget has occurred despite the Financial Assistance Grant impact and largely due to the storm damage insurance recovery.

Capital grants and contributions amounted to \$1.783M for the 2014 year and represented 3.46% of total income from continuing operations. This compares with budget of \$770K and is largely due to the Kiama wharf expansion monies.

Depreciation. Included in the operating result was \$8.972M for the depreciation and amortisation of infrastructure, property, plant and equipment which increased from \$7.963M in the prior year and compared with the original budget of \$7.900M. 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 recent years. The specific increase for 2013/2014 relates to the fair valuation of Buildings as at 30 June 2013.

Statement of Financial Position

Council's equity at 30 June 2014 amounted to \$329.607M comprised of retained earnings (\$144.832M), and reserves (\$184.775M) arising from revaluation of infrastructure assets in prior years.

The most significant impact on retained earnings during 2014 was the operating loss of \$4.102M. No revaluations of any Infrastructure, Property, Plant and Equipment categories occurred in the 2013/2014 year.

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	2014 Actual \$'000	2014 Budget \$'000	* Budget Variance %	2013 Actual \$'000
Net cash flows from operations	4,168	2,763	50.85%F	4,990
Net cash flows from investing	(3,343)	(3,347)	0.11%U	(6,851)
Net cash flows from financing	1,045	1,011	3.36%F	1,683
Net movement in cash	1,870	427		(178)

* 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 \$3.521M during the year, with \$8.320M being provided from operations, \$3.343M utilised in investing activities, and \$1.045M provided from borrowings and advances.

Total Investments and Cash Balances

Council's cash and investments balances totaled \$37.850M at 30 June 2014 compared to \$32.398M in 2013. The balance was comprised of the following:

	2014 \$'000	2013 \$'000
Externally restricted cash	6,135	5,076
Internally restricted cash	26,061	21,534
Unrestricted cash	5,654	5,788
<i>Total Cash, Cash Equivalents and Investments</i>	<i>37,850</i>	<i>32,398</i>

There was an increase in externally restricted cash balances, mainly due to unexpended grant amounts received. Internally restricted balances increased by \$4,527M, with increases in numerous categories particularly related to monies received restricted for land development.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2014 year results with prior years.

Operating performance Ratio. At -5.79% this ratio is below benchmarks set by NSW TCorp and expectations of the Office of Local Government. The result is in line with 2013 in spite of the Financial Assistance Grant reduction experienced in 2014.

Own source operating revenue ratio. The ratio of 76.19% is in line with 2013 and well above industry benchmarks and indicates that Council's reliance on external funding sources is minimal.

Unrestricted Current Ratio. The ratio has continued the improvement experienced in recent years and at 4.40:1 for 2014 remains well above the industry benchmark of 1.50:1 established by TCorp.

Debt Service Ratio. As a result of Council's minimal indebtedness the debt service ratio remains as in previous years, well below the industry benchmark of 10%.

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 2.25%. This is in line with 2013, and the ratio remains within the industry benchmark of 5%.

Cash expense cover ratio. This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash flow. Council's ratio of 8.83 exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term obligations.

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 22), 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.

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


CARL MILLINGTON

Partner

Sydney, 3 November 2014

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

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



Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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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 2014

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.

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.

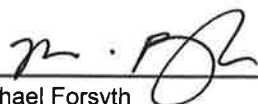
Signed in accordance with a resolution of Council made on 16 September 2014.



Brian Petschler
MAYOR



Neil Reilly
COUNCILLOR



Michael Forsyth
GENERAL MANAGER



Phil Mison
RESPONSIBLE ACCOUNTING OFFICER

Kiama Municipal Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	-	-
User charges	8,201	7,870	1,666	1,096
Fees	-	-	2,207	2,199
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	37	62
Other income	95	55	496	373
Total income from continuing operations	8,296	7,925	4,406	3,730
Expenses from continuing operations				
Employee benefits and on-costs	117	111	989	876
Borrowing costs	79	99	-	-
Materials and contracts	4,453	4,454	1,808	1,467
Depreciation and impairment	677	550	578	597
Loss on sale of assets	11	-	-	-
Calculated taxation equivalents	20	20	-	-
Debt guarantee fee (if applicable)	117	138	-	-
Other expenses	1,040	989	89	45
Total expenses from continuing operations	6,514	6,361	3,464	2,985
Surplus (deficit) from Continuing Operations before capital amounts	1,782	1,564	942	745
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,782	1,564	942	745
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	1,782	1,564	942	745
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(535)	(469)	(283)	(224)
SURPLUS (DEFICIT) AFTER TAX	1,247	1,095	659	522
plus Opening Retained Profits	9,320	9,168	7,127	6,382
plus/less: Other Adjustments - rounding	1	5	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	20	20	-	-
- Debt guarantee fees	117	138	-	-
- Corporate taxation equivalent	535	469	283	224
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,924)	(1,575)	-	-
Closing Retained Profits	9,316	9,320	8,069	7,127
Return on Capital %	11.9%	10.0%	51.1%	35.9%
Subsidy from Council	-	-	-	-

Kiama Municipal Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	1,728	1,924	6,432	5,260
Investments	-	-	-	-
Receivables	85	113	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,813	2,037	6,432	5,260
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	15,601	16,604	1,845	2,075
Investments accounted for using equity method	-	-	-	-
Investment property	83	83	-	-
Other	-	-	-	-
Total Non-Current Assets	15,684	16,687	1,845	2,075
TOTAL ASSETS	17,497	18,724	8,277	7,335
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	534	654	-	-
Provisions	8	10	-	-
Total Current Liabilities	542	664	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	2,183	2,716	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	2,183	2,716	-	-
TOTAL LIABILITIES	2,725	3,380	-	-
NET ASSETS	14,772	15,344	8,277	7,335
EQUITY				
Retained earnings	9,316	9,320	8,069	7,127
Revaluation reserves	5,456	6,024	208	208
Council equity interest	14,772	15,344	8,277	7,335
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	14,772	15,344	8,277	7,335

Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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 2014

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office 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 Office 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 2014

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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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 3.56% at 30/6/14.

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.

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KIAMA MUNICIPAL COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2014

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 2014 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

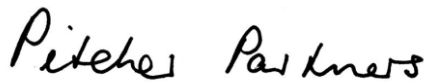
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kiama Municipal Council as of 30 June 2014 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

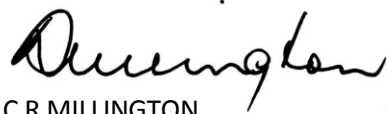
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the 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 Office 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 2014 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 3 November 2014.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 3 November 2014

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

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



Kiama Municipal Council

Special Schedules

for the financial year ended 30 June 2014

Contents

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Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- 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 Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. 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	Report on Infrastructure Assets (as at 30 June 2014)	5
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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 (NOW), and
 - the Office of Local Government (OLG).
- (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 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,157	-	-	(1,157)
Administration	16,762	1,562	-	(15,200)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	264	347	-	83
Beach Control	541	-	-	(541)
Enforcement of Local Govt. Regulations	119	92	-	(27)
Animal Control	121	43	-	(78)
Other	-	-	-	-
Total Public Order & Safety	1,045	482	-	(563)
Health	-	-	-	-
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	949	286	-	(663)
Solid Waste Management	4,385	5,506	272	1,393
Street Cleaning	157	-	-	(157)
Drainage	-	-	-	-
Stormwater Management	297	-	-	(297)
Total Environment	5,788	5,792	272	276
Community Services and Education				
Administration & Education	729	134	-	(595)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	9,444	11,543	-	2,099
Children's Services	29	63	-	34
Total Community Services & Education	10,202	11,740	-	1,538
Housing and Community Amenities				
Public Cemeteries	98	211	-	113
Public Conveniences	213	-	-	(213)
Street Lighting	384	24	-	(360)
Town Planning	241	403	578	740
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	936	638	578	280

Kiama Municipal Council

Special Schedule No. 1 - Net Cost of Services (continued) for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,319	150	-	(1,169)
Museums	-	1	-	1
Art Galleries	45	-	-	(45)
Community Centres and Halls	2,314	551	-	(1,763)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	2	30	-	28
Sporting Grounds and Venues	286	73	-	(213)
Swimming Pools	1,978	1,896	-	(82)
Parks & Gardens (Lakes)	521	-	-	(521)
Other Sport and Recreation	887	848	-	(39)
Total Recreation and Culture	7,352	3,549	-	(3,803)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	484	131	-	(353)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	484	131	-	(353)
Transport and Communication				
Urban Roads (UR) - Local	2,008	220	617	(1,171)
Urban Roads - Regional	174	-	62	(112)
Sealed Rural Roads (SRR) - Local	1,115	-	-	(1,115)
Sealed Rural Roads (SRR) - Regional	761	-	-	(761)
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	57	-	-	(57)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	21	-	-	(21)
Footpaths	632	-	118	(514)
Aerodromes	-	-	-	-
Other Transport & Communication	564	8	136	(420)
Total Transport and Communication	5,332	228	933	(4,171)
Economic Affairs				
Camping Areas & Caravan Parks	6,315	8,291	-	1,976
Other Economic Affairs	288	1,884	-	1,596
Total Economic Affairs	6,603	10,175	-	3,572
Totals – Functions	55,661	34,297	1,783	(19,581)
General Purpose Revenues ⁽²⁾		15,450		15,450
Share of interests - joint ventures & associates using the equity method	-	29		29
NET OPERATING RESULT ⁽¹⁾	55,661	49,776	1,783	(4,102)

(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 2014

\$'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	561	3,477	4,038	2,025	638	-	-	306	616	4,809	5,425
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	561	3,477	4,038	2,025	638	-	-	306	616	4,809	5,425
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	346	1,858	2,204	-	342	-	-	87	346	1,516	1,862
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	346	1,858	2,204	-	342	-	-	87	346	1,516	1,862
Total Debt	907	5,335	6,242	2,025	980	-	-	393	962	6,325	7,287

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).

Kiama Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Commercial Premises	164	-	4	19,352	30%	70%	0%	0%	0%
	Community Services	111	-	178	12,126	0%	97%	3%	0%	0%
	Holiday Parks	17	-	-	12,555	3%	96%	1%	0%	0%
	KMC Operational	29	-	141	6,548	1%	93%	6%	0%	0%
	Public Toilets	-	-	84	3,287	26%	70%	4%	0%	0%
	Rural Fire Service	-	-	5	534	10%	90%	0%	0%	0%
	Sports Facilities	-	-	54	2,994	2%	90%	8%	0%	0%
	State Emergency Services	-	-	2	396	0%	100%	0%	0%	0%
	Surf Life Saving Clubs	-	-	36	5,024	30%	70%	0%	0%	0%
	Other	-	550	-	59	24%	76%	0%	0%	0%
	sub total	321	550	504	62,875	13.9%	84.1%	2.0%	0.0%	0.0%
Other Structures	Other Structures	518	130	127	7,089	12%	59%	29%	0%	0%
	sub total	518	130	127	7,089	12.0%	59.0%	29.0%	0.0%	0.0%
Roads	Urban	-	640	-	-					
	Surface	754	-	287	9,448	46%	44%	9%	1%	0%
	Pavement	-	-	-	13,758	7%	63%	30%	0%	0%
	Bridges	-	-	3	2,636	0%	89%	11%	0%	0%
	K&G	-	-	58	12,370	0%	82%	18%	0%	0%
	Footpaths	114	-	79	332	5%	84%	11%	0%	0%
	Other	131	-	110	2,664	56%	29%	13%	0%	2%

(continued on the next page...)

Kiama Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Roads (continued)	Rural	-	510	-	-					
	Surface	114	-	288	1,544	30%	50%	19%	1%	0%
	Pavement	-	-	-	7,850	4%	69%	27%	0%	0%
	Bridges	-	-	27	4,059	10%	72%	18%	0%	0%
	K&G	-	-	3	23	0%	87%	13%	0%	0%
	Footpaths	-	-	-	107	8%	92%	0%	0%	0%
	Other	9	-	189	290	1%	87%	12%	0%	0%
	Regional	-	360	-	-					
	Surface	160	-	193	2,955	35%	59%	3%	0%	3%
	Pavement	-	-	-	1,721	0%	8%	92%	0%	0%
	Bridges	-	-	16	4,742	0%	48%	52%	0%	0%
	K&G	-	-	15	530	0%	98%	2%	0%	0%
	Other	13	-	135	505	11%	82%	7%	0%	0%
	Access Roads & Carparks	-	-	-	-					
	Surface	-	-	-	568	8%	92%	0%	0%	0%
	Pavement	-	-	-	65	18%	82%	0%	0%	0%
	Bridges	-	-	-	319	77%	23%	0%	0%	0%
	K&G	-	-	-	69	0%	100%	0%	0%	0%
	Footpaths	109	-	-	2,056	26%	69%	4%	1%	0%
	Other	-	-	-	520	24%	71%	5%	0%	0%
	Other	-	-	-	1					100%
	sub total	1,404	1,510	1,403	69,132	14.6%	62.8%	22.2%	0.2%	0.2%

Kiama Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Pits	-	-	-	3,796	0%	97%	3%		0%
	Pipes	-	-	-	12,490		98%	2%		0%
	Other	-	150	89	20	100%				0%
	sub total	-	150	89	16,306	0.1%	97.6%	2.2%	0.0%	0.0%
Open Space/ Recreational Assets	Depreciable Land Improvement	334	1,660	1,660	1,086	17%	67%	9%	1%	6%
	Other									
	sub total	334	1,660	1,660	1,086	17.0%	67.0%	9.0%	1.0%	6.0%
	TOTAL - ALL ASSETS	2,577	4,000	3,783	156,488	12.7%	74.9%	12.2%	0.1%	0.1%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	3,844	57.27%	38.57%	32.34%
Depreciation, Amortisation & Impairment	6,712			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	2,577	0.02	0.06	0.06
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	156,488			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	3,783	0.95	1.21	0.87
Required Asset Maintenance	4,000			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	6,557	0.73	0.69	0.69
Annual Depreciation	8,972			

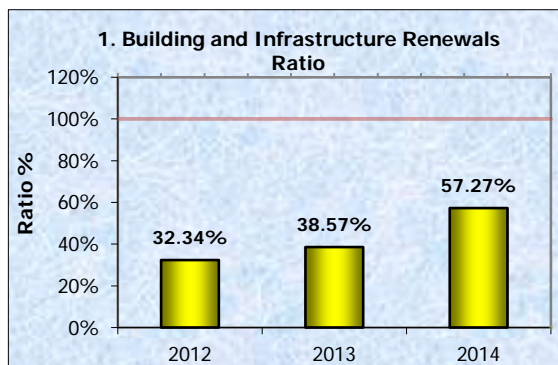
Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

Kiama Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



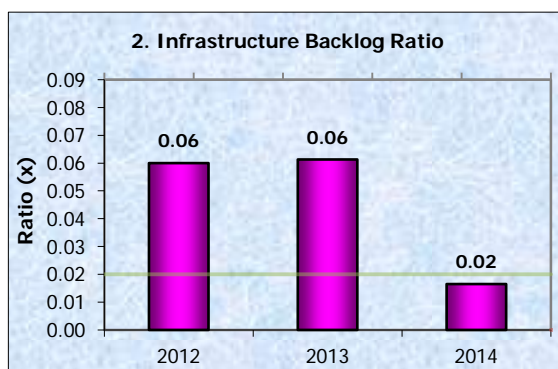
Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2013/14 Ratio 57.27%

Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



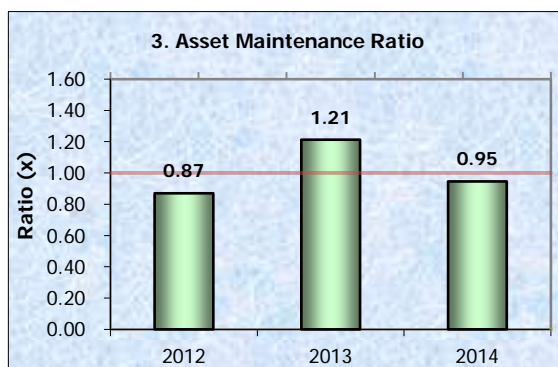
Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2013/14 Ratio 0.02 x

Maximum 0.02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



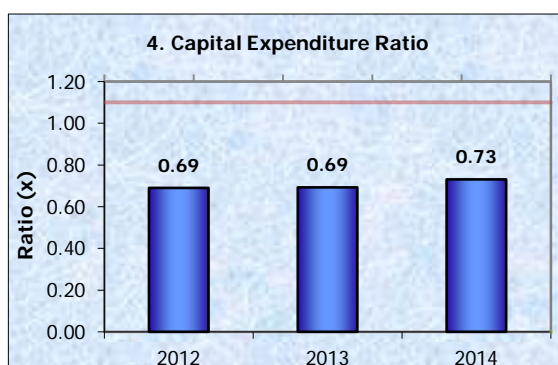
Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

2013/14 Ratio 0.95 x

Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2013/14 Ratio 0.73 x

Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Kiama Municipal Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 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	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	51,559	46,640	48,368	48,431	53,948	55,063	51,855	53,052	54,266	55,545	56,753
Expenses from continuing operations	55,661	49,643	51,241	52,665	53,745	54,723	55,754	57,402	58,612	59,867	61,146
Operating Result from Continuing Operations	(4,102)	(3,003)	(2,873)	(4,234)	203	340	(3,899)	(4,350)	(4,346)	(4,322)	(4,393)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	3,941	895	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250	3,250
Total Capital Budget	3,941	895	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250	3,250
Funded by:											
– Loans	2,716	150	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	1,005	525	3,077	2,309	2,052	2,205	4,341	4,173	3,138	3,030	3,030
– Grants/Contributions	220	220	220	220	220	220	220	220	220	220	220
– Recurrent revenue	-	-	-	-	-	-	-	-	-	-	-
– Other	-	-	-	-	-	-	-	-	-	-	-
	3,941	895	3,297	2,529	2,272	2,425	4,561	4,393	3,358	3,250	3,250

Notes:

(1) From 13/14 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.

Kiama Municipal Council

Special Schedule No. 9 - Permissible Income Calculation for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	13,066	13,565
Plus or minus Adjustments ⁽²⁾	b	52	79
Notional General Income	c	13,118	13,644
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	9.74%	
or Rate peg percentage	e		2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	(757)	-
plus Special variation amount	$h = (c+g) \times d$	1,204	-
or plus Rate peg amount	$i = c \times e$	-	314
or plus Crown land adjustment and rate peg amount	$j = c \times f$	-	-
sub-total	$k = (c+g+h+i+j)$	13,565	13,958
plus (or minus) last year's Carry Forward Total	l	88	85
less Valuation Objections claimed in the previous year	m	-	-
sub-total	$n = (l + m)$	88	85
Total Permissible income	$o = k + n$	13,653	14,043
less Notional General Income Yield	p	13,565	14,104
Catch-up or (excess) result	$q = o - p$	88	(61)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	1
less Unused catch-up ⁽⁵⁾	s	(3)	-
Carry forward to next year	$t = q + r - s$	85	(60)

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

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KIAMA MUNICIPAL COUNCIL

Special Schedule No. 9

Independent Auditors' Report to the Council for the Year ended 30 June 2015

Report on Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Kiama Municipal Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 9 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 Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.

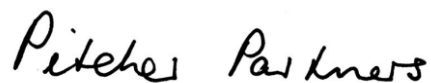
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

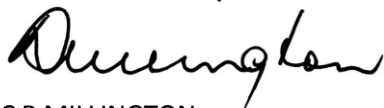
In our opinion, Special Schedule No. 9 of Kiama Municipal Council for the year ending 30 June 2015 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2015 is presented fairly. As a result, the schedule may not be suitable for another purpose.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 3 November 2014