



Kiama Council Annual Financial Statement 2014-15

Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

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



Kiama Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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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 28 October 2015. 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 2015

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 15 September 2015.



Brian Petschler
MAYOR



Warren Steel
COUNCILLOR



Michael Forsyth
GENERAL MANAGER



Phil Mison
RESPONSIBLE ACCOUNTING OFFICER

Kiama Municipal Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015 \$ '000		Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
18,399	Rates & Annual Charges	3a	18,354	17,237
14,395	User Charges & Fees	3b	15,982	15,304
1,111	Interest & Investment Revenue	3c	1,215	1,719
1,726	Other Revenues	3d	4,820	4,359
9,736	Grants & Contributions provided for Operating Purposes	3e,f	9,757	10,177 ²
764	Grants & Contributions provided for Capital Purposes	3e,f	1,558	1,783
Other Income:				
508	Net gains from the disposal of assets	5	220	951
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	29
46,639	Total Income from Continuing Operations		51,906	51,559
Expenses from Continuing Operations				
21,825	Employee Benefits & On-Costs	4a	23,001	22,248
381	Borrowing Costs	4b	367	393
15,956	Materials & Contracts	4c	16,509	16,435
7,950	Depreciation & Amortisation	4d	8,807	8,972
-	Impairment	4d	-	-
3,530	Other Expenses	4e	3,212	7,613
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	28	-
49,642	Total Expenses from Continuing Operations		51,924	55,661
(3,003)	Operating Result from Continuing Operations		(18)	(4,102)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(3,003)	Net Operating Result for the Year		(18)	(4,102)
(3,003)	Net Operating Result attributable to Council		(18)	(4,102)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(3,767)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(1,576)	(5,885)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years - refer Note 3 (e)

Kiama Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		(18)	(4,102)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	24,643	(11,505)
Total Items which will not be reclassified subsequently to the Operating Result		24,643	(11,505)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		24,643	(11,505)
Total Comprehensive Income for the Year		24,625	(15,607)
Total Comprehensive Income attributable to Council		24,625	(15,607)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Kiama Municipal Council

Statement of Financial Position as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	2,981	3,521
Investments	6b	35,425	34,329
Receivables	7	3,107	3,207
Inventories	8	409	201
Other	8	78	9
Non-current assets classified as "held for sale"	22	3,620	3,593
Total Current Assets		45,620	44,860
Non-Current Assets			
Investments	6b	-	-
Receivables	7	442	801
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	306,811	282,155
Investments accounted for using the equity method	19	154	181
Investment Property	14	77,092	76,131
Intangible Assets	25	2,400	2,400
Total Non-Current Assets		386,899	361,668
TOTAL ASSETS		432,519	406,528
LIABILITIES			
Current Liabilities			
Payables	10	65,451	63,687
Borrowings	10	1,693	962
Provisions	10	6,510	5,947
Total Current Liabilities		73,654	70,596
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	4,633	6,325
Provisions	10	-	-
Total Non-Current Liabilities		4,633	6,325
TOTAL LIABILITIES		78,287	76,921
Net Assets		354,232	329,607
EQUITY			
Retained Earnings	20	144,814	144,832
Revaluation Reserves	20	209,418	184,775
Council Equity Interest		354,232	329,607
Non-controlling Equity Interests		-	-
Total Equity		354,232	329,607

Kiama Municipal Council

Statement of Changes in Equity for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		144,832	184,775	329,607	-	329,607
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		144,832	184,775	329,607	-	329,607
c. Net Operating Result for the Year		(18)	-	(18)	-	(18)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	24,643	24,643	-	24,643
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	24,643	24,643	-	24,643
Total Comprehensive Income (c&d)		(18)	24,643	24,625	-	24,625
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		144,814	209,418	354,232	-	354,232

\$ '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

Kiama Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015 \$ '000		Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
18,373	Rates & Annual Charges		18,424	17,198
14,369	User Charges & Fees		17,352	16,153
1,106	Investment & Interest Revenue Received		1,343	1,404
10,553	Grants & Contributions		11,635	12,452
-	Bonds, Deposits & Retention amounts received		320	195
926	Other		4,752	5,418
Payments:				
(21,825)	Employee Benefits & On-Costs		(22,498)	(22,238)
(16,088)	Materials & Contracts		(19,031)	(17,932)
(382)	Borrowing Costs		(367)	(393)
(3,505)	Other		(1,718)	(3,674)
3,527	Net Cash provided (or used in) Operating Activities	11b	10,212	8,583
Cash Flows from Investing Activities				
Receipts:				
3,487	Sale of Investment Securities		34,196	29,769
-	Sale of Real Estate Assets		263	2,856
3,562	Sale of Infrastructure, Property, Plant & Equipment		649	655
Payments:				
-	Purchase of Investment Securities		(35,425)	(32,996)
(11,218)	Purchase of Infrastructure, Property, Plant & Equipment		(9,441)	(7,976)
-	Purchase of Real Estate Assets		(32)	(66)
-	Contributions Paid to Joint Ventures & Associates		(1)	-
(4,169)	Net Cash provided (or used in) Investing Activities		(9,791)	(7,758)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	2,025
Payments:				
(958)	Repayment of Borrowings & Advances		(961)	(980)
(958)	Net Cash Flow provided (used in) Financing Activities		(961)	1,045
(1,600)	Net Increase/(Decrease) in Cash & Cash Equivalents		(540)	1,870
2,156	plus: Cash & Cash Equivalents - beginning of year	11a	3,521	1,651
556	Cash & Cash Equivalents - end of the year	11a	2,981	3,521
Additional Information:				
	plus: Investments on hand - end of year	6b	35,425	34,329
	Total Cash, Cash Equivalents & Investments		38,406	37,850

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 2015

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n/a - not applicable

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Notes to the Financial Statements

for the financial year ended 30 June 2015

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 accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(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 2014.

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

(v) Basis of Accounting

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

- (i) 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,

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 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

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

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

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 Arrangements

Council has no interest in any Joint Arrangements.

Joint Ventures

Joint Ventures represent operational arrangements where the parties joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in

retained earnings & reserves are recognised in the balance sheet.

There are restrictions on members to access their equity to pay their Council liabilities and they include:

- if members wish to leave the Pool they have to provide 12 months' notice
- Equity is returned to members only after the capital adequacy thresholds are reached within the pool

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

(iv) Associates

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 another 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 Ventures.

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (b).

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities,

Detailed information relating to Council's interest in Unconsolidated Structured Entities can be found at Note 19 (d).

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

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

(iii) Held-to-maturity investments

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

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

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

(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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

(ii) Subsequent Measurement

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

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

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

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

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

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

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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

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

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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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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
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Assets

- Drains	120 years
- Culverts	60 years
- Flood Control Structures	120 years

Transportation Assets

- Sealed Roads : Surface (Spray)	12 years
- Sealed Roads : Surface (AC)	25 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	> \$10,000
- Other Open Space/Recreational Assets	> \$10,000
- Other Infrastructure	> \$10,000

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(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, licences 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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 30/06/2015. The last full revaluation for Blue Haven Retirement Village was dated 30/06/2014.

(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

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

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

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

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

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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

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

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

(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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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 2015 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 2015 was \$ 525,354.

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 \$693,342 as at 30 June 2015.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(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.

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

AASB 2014 - 3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

Not applicable to Local Government per se;

None

(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 a measure of the amount that would be payable on the departure of the resident.

(af) Retirement Village Loan Licence Agreements

Incoming residents entering Council's independent living units are required to pay a licence fee to

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Governance	-	-	-	1,188	1,186	1,157	(1,188)	(1,186)	(1,157)	-	208	25,041	-
Corporate Services	1,004	2,758	1,600	7,158	7,465	11,726	(6,154)	(4,707)	(10,126)	25	-	59,753	59,648
Community Services	3,868	4,091	4,077	5,017	5,193	5,056	(1,149)	(1,102)	(979)	3,361	3,131	882	822
Environmental Services	5,676	5,923	5,244	4,213	3,906	3,717	1,463	2,017	1,527	123	-	1,062	939
Engineering & Works	2,635	2,529	3,300	15,758	16,832	16,739	(13,123)	(14,303)	(13,439)	827	3,029	240,775	238,154
Commercial Activities	17,323	20,216	21,859	16,308	17,314	17,266	1,015	2,902	4,593	3,132	3,138	104,852	106,784
Total Functions & Activities	30,506	35,517	36,080	49,642	51,896	55,661	(19,136)	(16,379)	(19,581)	7,468	9,506	432,365	406,347
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	29	-	28	-	-	(28)	29	-	-	154	181
General Purpose Income ¹	16,133	16,389	15,450	-	-	-	16,133	16,389	15,450	1,660	977	-	-
Operating Result from Continuing Operations	46,639	51,906	51,559	49,642	51,924	55,661	(3,003)	(18)	(4,102)	9,128	10,483	432,519	406,528

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 2015

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 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		11,950	11,326
Farmland		651	645
Business		1,025	895
Total Ordinary Rates		13,626	12,866
Special Rates			
Tourism		-	217
Total Special Rates		-	217
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		4,504	3,919
Waste Management Services (non-domestic)		224	235
Total Annual Charges		4,728	4,154
TOTAL RATES & ANNUAL CHARGES		18,354	17,237

Council has used 2012 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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,030	1,127
Total User Charges		1,030	1,127
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Services - Other		171	109
Inspection Services		15	22
Planning & Building Regulation		485	398
Private Works - Section 67		5	18
Registration Fees		34	41
Section 603 Certificates		45	46
Total Fees & Charges - Statutory/Regulatory		755	634
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Blue Haven Aged Care		2,655	2,620
Council Properties		514	430
Engineering Services		140	128
Holiday Parks		8,105	8,150
Illawarra Inhome Support		159	179
Leisure Centre		1,752	1,227
Library & Family History Centre		86	82
Public Cemeteries		253	204
Saddleback Mtn Tower		77	105
Waste Disposal Tipping Fees		106	96
Other		350	322
Total Fees & Charges - Other		14,197	13,543
TOTAL USER CHARGES & FEES		15,982	15,304

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		35	33
- Interest earned on Investments (interest & coupon payment income)		1,313	1,331
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		(133)	355
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,215</u>	<u>1,719</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		35	33
General Council Cash & Investments		1,068	1,574
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		112	112
<u>Total Interest & Investment Revenue Recognised</u>		<u>1,215</u>	<u>1,719</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	961	-
Rental Income - Investment Properties	14	71	70
Rental Income - Other Council Properties		122	113
Fines - Parking		37	37
Fines - Other		26	23
Admin Sundry Income		88	108
Deferred Payment Liabilities Amortisation		2,636	2,268
Diesel Fuel Rebate		30	35
Engineering Income		5	8
Insurance Claim Recoveries		45	788
Motor Vehicle Leaseback		221	211
Recycling Income (non domestic)		23	22
Section 88 Rebate		87	108
SES Storm Damage Recovery		-	89
Workers Comp. Refund		80	80
Other		388	399
<u>TOTAL OTHER REVENUE</u>		<u>4,820</u>	<u>4,359</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	1,421	735	-	-
Pensioners' Rates Subsidies - General Component	239	242	-	-
Total General Purpose	1,660	977	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Blue Haven Retirement Village	3,125	3,138	-	-
Bushfire & Emergency Services	144	203	-	-
CCTV	-	50	-	-
Centre Based Day Care	54	51	-	-
Community Development	-	7	-	-
Community Options Program	503	465	-	-
Community Transport	253	273	-	-
Cultural Development	56	300	-	-
Domestic Assistance	380	351	-	-
Environmental Protection	88	48	48	-
Home Maintenance	163	186	-	-
Illawarra Inhome Support Program	1,425	1,573	-	-
Kiama Harbour Redevelopment	-	-	-	674
Library	63	62	-	-
LIRS Subsidy	139	166	-	-
Organics and Recycling	37	190	-	272
Personal Care	17	19	-	-
Reserve Improvements	-	35	78	-
Respite Service	110	123	-	-
Road Safety Program	24	19	-	-
Social Support	152	174	-	-
Storm Damage Recovery	-	475	-	-
Street Lighting	43	24	-	-
Traffic Facilities/Black Spot Program	-	-	163	249
Trainees	2	22	-	-
Transport	-	-	35	-
Transport (Roads to Recovery)	212	220	-	-
Youth Belonging	-	50	-	-
Dementia Friendly Community Program	50	-	-	-
Other	74	77	30	10
Total Specific Purpose	7,114	8,301	354	1,205
Total Grants	8,774	9,278	354	1,205

Grant Revenue is attributable to:

- Commonwealth Funding	4,762	5,173	-	-
- State Funding	4,012	4,063	-	1,205
- Other Funding	-	42	354	-
	8,774	9,278	354	1,205

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	1,114	578
Total Developer Contributions	17 -	-	1,114	578
Other Contributions:				
Admin Support	97	123	-	-
Community Bus	58	34	-	-
Insurance	66	112	-	-
Recreation & Culture	14	-	-	-
Roads & Bridges	19	-	-	-
RMS Contributions (Regional Roads, Block Grant)	590	595	-	-
Foxground Rural Fire Service	-	-	90	-
Security Bonds - Elambra Estate	118	-	-	-
Other	21	35	-	-
Total Other Contributions	983	899	90	-
Total Contributions	983	899	1,204	578
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>9,757</u>	<u>10,177</u>	<u>1,558</u>	<u>1,783</u>

\$ '000	Actual 2015	Actual 2014
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	4,336	3,105
add: Grants & contributions recognised in the current period but not yet spent:	1,975	1,971
less: Grants & contributions recognised in a previous reporting period now spent:	(1,776)	(740)
Net Increase (Decrease) in Restricted Assets during the Period	199	1,231
Unexpended and held as Restricted Assets	<u>4,535</u>	<u>4,336</u>
Comprising:		
- Specific Purpose Unexpended Grants	1,025	1,251
- Developer Contributions	3,510	3,085
	<u>4,535</u>	<u>4,336</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		18,208	17,660
Travelling		2	1
Employee Leave Entitlements (ELE)		2,375	2,033
Superannuation		2,062	1,972
Workers' Compensation Insurance		602	849
Fringe Benefit Tax (FBT)		79	65
Training Costs (other than Salaries & Wages)		113	82
Other		47	54
Total Employee Costs		23,488	22,716
less: Capitalised Costs		(487)	(468)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>23,001</u>	<u>22,248</u>
Number of "Equivalent Full Time" Employees at year end		338	265
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		294	306
Interest on Advances		73	87
Total Interest Bearing Liability Costs Expensed		367	393
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>367</u>	<u>393</u>
(c) Materials & Contracts			
Raw Materials & Consumables		11,655	12,087
Contractor & Consultancy Costs		4,685	4,101
Auditors Remuneration ⁽¹⁾		47	47
Legal Expenses:			
- Legal Expenses: Planning & Development		26	82
- Legal Expenses: Other		17	28
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		79	90
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>16,509</u>	<u>16,435</u>

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(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		41	42
- Other audit & assurance services		6	5
Remuneration for audit and other assurance services		47	47
Total Auditor Remuneration		47	47
2. Operating Lease Payments are attributable to:			
Other		79	90
		79	90

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,508	1,664
Office Equipment		-	-	124	131
Furniture & Fittings		-	-	234	132
Land Improvements (depreciable)		-	-	112	106
Buildings - Non Specialised		-	-	466	448
Buildings - Specialised		-	-	2,738	2,891
Other Structures		-	-	464	183
Infrastructure:					
- Roads		-	-	2,400	2,617
- Bridges		-	-	273	272
- Footpaths		-	-	204	242
- Stormwater Drainage		-	-	224	242
Other Assets					
- Library Books		-	-	44	44
- Other		-	-	16	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,807	8,972

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Contributions/Levies to Other Levels of Government			
- Crown Reserve Levy		339	339
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		190	195
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		97	92
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		65	45
Donations, Contributions & Assistance to other organisations (Section 356)		228	210
Electricity & Heating		791	873
Holiday Parks Promotion/Membership		189	164
Insurance		559	420
Kiama Tourism		158	247
Revaluation Decrements (Fair Valuation of Investment Properties)	14	-	4,415
Street Lighting		367	380
Telephone & Communications		205	199
Other		1	12
<u>TOTAL OTHER EXPENSES</u>		<u>3,212</u>	<u>7,613</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		649	655
less: Carrying Amount of P&E Assets Sold / Written Off		(429)	(1,388)
Net Gain/(Loss) on Disposal		220	(733)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		-	3,119
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(1,435)
Net Gain/(Loss) on Disposal		-	1,684
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		34,196	29,769
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(34,196)	(29,769)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>220</u>	<u>951</u>

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

		2015	2015	2014	2014
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non Current	Current	Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,981	-	2,521	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,000	-	1,000	-
Total Cash & Cash Equivalents		2,981	-	3,521	-
Investments (Note 6b)					
- Long Term Deposits		35,425	-	32,996	-
- FRN's (with Maturities > 3 months)		-	-	947	-
- CDO's		-	-	386	-
Total Investments		35,425	-	34,329	-
TOTAL CASH ASSETS, CASH					
EQUIVALENTS & INVESTMENTS					
		38,406	-	37,850	-

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"		2,981	-	3,521	-
----------------------------------------------	--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	1,333	-
b. "Held to Maturity"	6(b-ii)	35,425	-	32,996	-
Investments		35,425	-	34,329	-

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 2015

Note 6b. Investments (continued)

	2015	2015	2014	2014
	Actual	Actual	Actual	Actual
\$ '000	Current	Non Current	Current	Non Current

Note 6(b-i)

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

Balance at the Beginning of the Year	1,333	-	1,206	-
Revaluations (through the Income Statement)	(133)	-	355	-
Disposals (sales & redemptions)	(1,200)	-	(228)	-
Balance at End of Year	-	-	1,333	-

Comprising:

- FRN's (with Maturities > 3 months)	-	-	947	-
- CDO's	-	-	386	-
Total	-	-	1,333	-

Note 6(b-ii)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year	32,996	-	29,541	-
Additions	35,425	-	32,996	-
Disposals (sales & redemptions)	(32,996)	-	(29,541)	-
Balance at End of Year	35,425	-	32,996	-

Comprising:

- Long Term Deposits	35,425	-	32,996	-
Total	35,425	-	32,996	-

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 2015

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

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	38,406	-	37,850	-
attributable to:				
External Restrictions (refer below)	6,458	-	6,135	-
Internal Restrictions (refer below)	27,079	-	26,061	-
Unrestricted	4,869	-	5,654	-
	38,406	-	37,850	-

2015 \$ '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)	440	-	(440)	-
External Restrictions - Included in Liabilities	440	-	(440)	-

External Restrictions - Other

Developer Contributions - General (D)	3,085	1,226	(801)	3,510
Specific Purpose Unexpended Grants (F)	1,251	-	(226)	1,025
Domestic Waste Management (G)	1,359	564	-	1,923
External Restrictions - Other	5,695	1,790	(1,027)	6,458
Total External Restrictions	6,135	1,790	(1,467)	6,458

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 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	792	208	-	1,000
Carry Over Works	1,261	1,625	(1,261)	1,625
Blue Haven ILU	4,055	2,052	(1,869)	4,238
Blue Haven Care - Residential	8,245	2,563	(900)	9,908
CACP	8	59	-	67
Community Bus	210	-	(35)	175
Computer	200	-	(200)	-
Contingencies	1,024	-	(244)	780
Holiday Parks	1,197	624	-	1,821
Land Development	6,081	800	(3,674)	3,207
Plant Replacement	884	460	(29)	1,315
Property Insurance	120	-	-	120
S94 Recoupments	363	612	(156)	819
Waste & Sustainability	204	87	(63)	228
Waste Business Unit	1,417	795	(436)	1,776
Total Internal Restrictions	26,061	9,885	(8,867)	27,079
TOTAL RESTRICTIONS	32,196	11,675	(10,334)	33,537

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		298	19	310	77
Interest & Extra Charges		42	9	6	40
User Charges & Fees		479	-	897	-
Private Works		40	-	40	-
Capital Debtors (being sale of assets)					
- Sale of Land		-	-	-	263
Accrued Revenues					
- Other Income Accruals		389	-	986	-
Government Grants & Subsidies		337	-	372	-
Loans to Sporting Clubs		4	2	2	4
Net GST Receivable		118	-	28	-
Other - Advances to Public		-	412	2	417
Other - Holiday Park Charges		457	-	433	-
Other - Insurance claim		-	-	211	-
Other Debtors - Investments		1,023	-	-	-
Total		3,187	442	3,287	801
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>3,107</u>	<u>442</u>	<u>3,207</u>	<u>801</u>
Externally Restricted Receivables					
Domestic Waste Management		-	125	-	130
Total External Restrictions		-	125	-	130
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,107	317	3,207	671
TOTAL NET RECEIVABLES		3,107	442	3,207	801

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 8.50% (2014 9.00%).
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 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		197	-	-	-
Stores & Materials		172	-	163	-
Trading Stock		40	-	38	-
Total Inventories		409	-	201	-
Other Assets					
Prepayments		78	-	9	-
Total Other Assets		78	-	9	-
TOTAL INVENTORIES / OTHER ASSETS		487	-	210	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

Residential		197	-	-	-
Total Real Estate for Resale		197	-	-	-

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

Represented by:

Development Costs		32	-	-	-
Other Properties - Book Value		165	-	-	-
Total Costs		197	-	-	-
Total Real Estate for Resale		197	-	-	-

Movements:

Real Estate assets at beginning of the year		-	-	1,369	-
- Purchases and other costs		32	-	66	-
- Transfers in from (out to) Note 9		165	-	-	-
- WDV of Sales (exp)	5	-	-	(1,435)	-
Total Real Estate for Resale		197	-	-	-

(b) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

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 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period							as at 30/6/2015				
						Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)					
	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value								At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
Capital Work in Progress	1,275	-	-	-	1,275	1,155	-	-	(1,275)	-	-	-	1,155	-	-	-	1,155
Plant & Equipment	-	14,403	9,284	-	5,119	2,279	(419)	(1,508)	-	-	-	-	-	15,353	9,882	-	5,471
Office Equipment	-	2,486	2,088	-	398	101	-	(124)	16	-	-	-	-	2,603	2,212	-	391
Furniture & Fittings	-	2,455	1,908	-	547	40	-	(234)	-	-	-	-	-	2,496	2,143	-	353
Land:																	
- Operational Land	-	51,455	-	-	51,455	1,860	-	-	-	(165)	-	-	-	53,150	-	-	53,150
- Community Land	-	36,995	-	-	36,995	-	-	-	-	-	-	-	-	36,995	-	-	36,995
- Land under Roads (post 30/6/08)	-	28	-	-	28	-	-	-	-	-	-	-	-	28	-	-	28
Land Improvements - non depreciable	-	2,186	-	-	2,186	-	-	-	-	-	-	-	-	2,186	-	-	2,186
Land Improvements - depreciable	-	2,079	993	-	1,086	84	-	(112)	7	-	-	-	-	2,170	1,105	-	1,065
Buildings - Non Specialised	-	19,587	7,836	-	11,751	88	-	(466)	32	-	-	-	-	19,537	8,132	-	11,405
Buildings - Specialised	-	84,636	33,512	-	51,124	2,427	-	(2,738)	376	-	-	-	-	87,329	36,140	-	51,189
Other Structures	-	14,377	7,288	-	7,089	538	(8)	(464)	559	-	-	-	-	15,442	7,728	-	7,714
Infrastructure:																	
- Roads	-	112,094	59,815	-	52,279	643	(2)	(2,400)	21	-	-	24,896	-	125,952	50,530	-	75,422
- Bridges	-	25,771	14,082	-	11,689	12	-	(273)	-	-	(5,239)	-	-	12,592	6,404	-	6,188
- Footpaths	-	8,581	3,417	-	5,164	86	-	(204)	-	-	-	1,548	-	10,731	4,121	-	6,610
- Bulk Earthworks (non-depreciable)	-	27,219	-	-	27,219	-	-	-	-	-	(4,877)	-	-	22,342	-	-	22,342
- Stormwater Drainage	-	24,114	7,808	-	16,306	-	-	(224)	-	-	-	8,315	-	33,147	8,750	-	24,397
Other Assets:																	
- Library Books	-	1,547	1,196	-	351	101	-	(44)	-	-	-	-	-	1,648	1,240	-	408
- Other	-	94	-	-	94	-	-	(16)	264	-	-	-	-	358	16	-	342
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,275	430,107	149,227	-	282,155	9,414	(429)	(8,807)	-	(165)	(10,116)	34,759	1,155	444,059	138,403	-	306,811

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$306) and New Assets (\$654).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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 2015

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

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	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	2,938	-	2,737	201	2,878	-	2,596	282
Land								
- Operational Land	140	-	-	140	140	-	-	140
Total DWM	3,078	-	2,737	341	3,018	-	2,596	422
TOTAL RESTRICTED I,PP&E	3,078	-	2,737	341	3,018	-	2,596	422

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 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,937	-	3,346	-
Payments Received In Advance		14	-	61	-
Accrued Expenses:					
- Other Expenditure Accruals		415	-	200	-
Security Bonds, Deposits & Retentions		2,110	-	1,790	-
Retirement Village Loan Licence Agreement		55,369	-	55,566	-
Residential Aged Care Accommodation Bor		4,606	-	2,724	-
Total Payables		65,451	-	63,687	-
Borrowings					
Loans - Secured ¹		1,351	3,458	616	4,808
Government Advances		342	1,175	346	1,517
Total Borrowings		1,693	4,633	962	6,325
Provisions					
Employee Benefits;					
Annual Leave		1,474	-	1,501	-
Sick Leave		699	-	665	-
Long Service Leave		3,838	-	3,636	-
ELE On-Costs		499	-	145	-
Total Provisions		6,510	-	5,947	-
Total Payables, Borrowings & Provisions		73,654	4,633	70,596	6,325

(i) Liabilities relating to Restricted Assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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 2015

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

	Actual 2015	Actual 2014
\$ '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	3,581	3,271
Other Liabilities: Payables	60,136	58,516
	63,717	61,786

Note 10b. Description of and movements in Provisions

Class of Provision	2014	2015				
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,501	1,064	(1,091)	-	-	1,474
Sick Leave	665	34	-	-	-	699
Long Service Leave	3,636	498	(296)	-	-	3,838
ELE On-Costs	145	354	-	-	-	499
TOTAL	5,947	1,950	(1,387)	-	-	6,510

- 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 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	2,981	3,521
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		2,981	3,521
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(18)	(4,102)
Adjust for non cash items:			
Depreciation & Amortisation		8,807	8,972
Net Losses/(Gains) on Disposal of Assets		(220)	(951)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		133	(355)
- Investment Properties		(961)	4,415
Share of Net (Profits) or Losses of Associates/Joint Ventures		28	(29)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		196	(116)
Decrease/(Increase) in Inventories		(11)	1
Decrease/(Increase) in Other Assets		(69)	(2)
Increase/(Decrease) in Payables		(409)	602
Increase/(Decrease) in other accrued Expenses Payable		215	86
Increase/(Decrease) in Other Liabilities		1,958	(33)
Increase/(Decrease) in Employee Leave Entitlements		563	95
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		10,212	8,583

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(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	150
Total Financing Arrangements		2,150	2,150
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		134	128
Total Financing Arrangements Utilised		134	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 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
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(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	40	36
Later than one year and not later than 5 years	70	101
Total Non Cancellable Operating Lease Commitments	110	137

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	252	269
Total Commitments	252	269

These expenditures are payable as follows:

Within the next year	252	269
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
Total Payable	252	269

(e) Investment in Joint Operations - Commitments

For Capital Commitments and Other Commitments relating to Investments in Joint Operations, refer to Note 19 (c)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contr butions) - Operating Expenses	(2,596)	-5.27%	-5.79%	-5.41%
Total continuing operating revenue ⁽¹⁾	49,300			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	39,543	77.75%	76.19%	76.98%
Total continuing operating revenue ⁽¹⁾	50,858			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	39,162	3.94x	4.40	4.01
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	9,937			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	6,578	4.95x	4.78	4.76
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	1,328			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	333	1.77%	2.25%	2.35%
Rates, Annual and Extra Charges Collectible	18,787			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	38,406	10.34	9.69	8.26
Payments from cash flow of operating and financing activities	3,715	mths		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate & land for resale not expected to be sold in the next 12 months

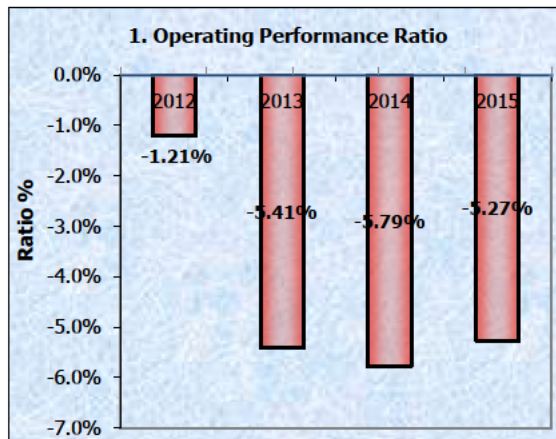
⁽³⁾ Refer to Note 10(a).

⁽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 2015

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



Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2014/15 Result

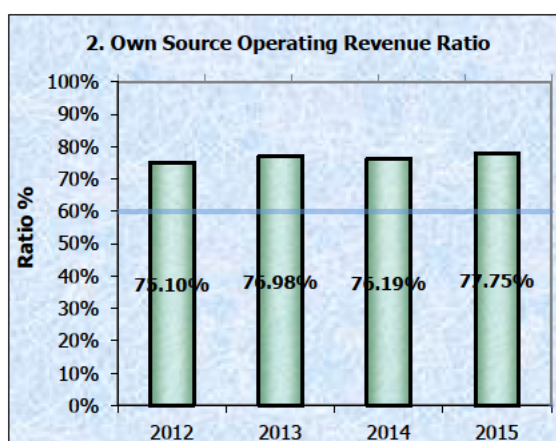
2014/15 Ratio -5.27%

This ratio sees a slight improvement over the previous two years.

Benchmark: — Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2014/15 Result

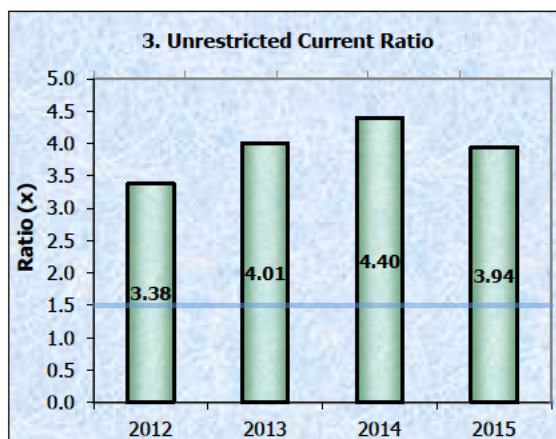
2014/15 Ratio 77.75%

Council continues to have a strong reliance on its own sources of revenue to supplement rating revenue.

Benchmark: — Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2014/15 Result

2014/15 Ratio 3.94x

The ratio continues to be above the industry benchmark of 2:1.

Benchmark: — Minimum ≥ 1.50

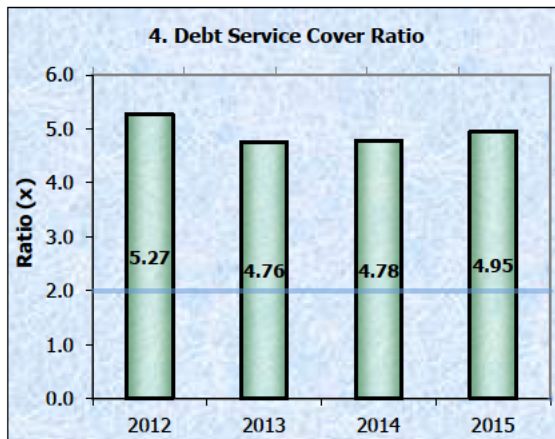
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Benchmark: — Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23



Purpose of Debt Service Cover Ratio

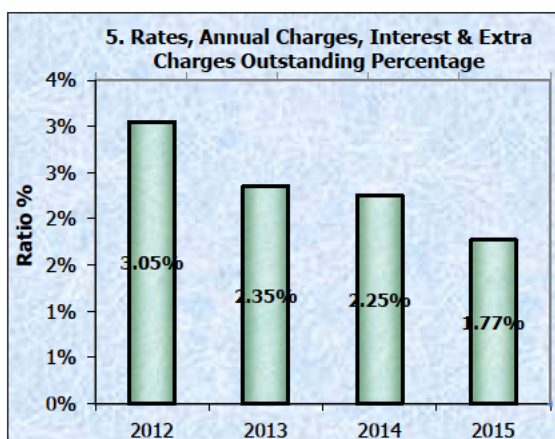
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2014/15 Result

2014/15 Ratio 4.95x

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

 Ratio is within Benchmark
 Ratio is outside Benchmark





Purpose of Rates & Annual Charges Outstanding Ratio

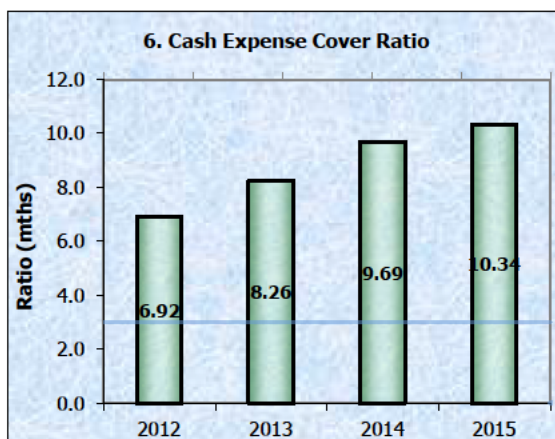
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2014/15 Result

2014/15 Ratio 1.77%

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

 Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23



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 2014/15 Result

2014/15 Ratio 10.34 mths

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

 Ratio is within Benchmark
 Ratio is outside Benchmark

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
(a) Investment Properties at Fair value			
Investment Properties on Hand		77,092	76,131
Reconciliation of Annual Movement:			
Opening Balance		76,131	80,546
- Net Gain/(Loss) from Fair Value Adjustments		961	(4,415)
CLOSING BALANCE - INVESTMENT PROPERTIES		77,092	76,131

(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 2015 revaluations were based on Independent Assessments made by:

2015 Valuations were performed by Mr Neil Menzies (Director) AAPI, Certified Practising Valuer, Registered valuer No: 15566, from Walsh & Monaghan. Valuations were performed for Glenbrook Farm Residence, 7 Mile Beach Kiosk and Barney St Quarry. Blue Haven Independent Living Units was valued in 2014 by Nelson Partners.

Blue Haven Independent Living Units was valued in 2015 by Council staff applying an appropriate CPI rate.

(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	71	63
Later than 1 year but less than 5 years	113	-
Total Minimum Lease Payments Receivable	184	63

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:

- Minimum Lease Payments	71	70
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Direct Operating Expenses on Investment Properties:

- that generated rental income	(25)	(19)
- that did not generate rental income	(912)	(948)

Net Revenue Contribution from Investment Properties	(866)	(897)
------------------------------------------------------------	--------------	--------------

plus:

Fair Value Movement for year	961	(4,415)
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Total Income attributable to Investment Properties	95	(5,312)
-----------------------------------------------------------	-----------	----------------

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 2015

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	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	2,981	3,521	2,981	3,521
Investments				
- "Held for Trading"	-	1,333	-	1,333
- "Held to Maturity"	35,425	32,996	35,425	33,004
Receivables	3,549	4,008	3,767	3,966
Total Financial Assets	41,955	41,858	42,173	41,824
Financial Liabilities				
Payables	65,437	63,626	65,437	63,547
Loans / Advances	6,326	7,287	6,326	7,287
Total Financial Liabilities	71,763	70,913	71,763	70,834

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 2015

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
2015				
Possible impact of a 10% movement in Market Values	3,841	3,841	(3,841)	(3,841)
Possible impact of a 1% movement in Interest Rates	384	384	(384)	(384)
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)

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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:

		2015	2015	2014	2014
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %					
Current (not yet overdue)		94%	88%	80%	87%
Overdue		6%	12%	20%	13%
		100%	100%	100%	100%
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
Current	Current	298	2,889	310	3,238
> 5 years overdue	> 90 days overdue	19	423	77	463
		317	3,312	387	3,701
(iii) Movement in Provision for Impairment of Receivables				2015	2014
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 2015

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		
2015									
Trade/Other Payables	2,110	63,327	-	-	-	-	-	65,437	65,437
Loans & Advances	-	1,692	851	852	852	852	1,227	6,326	6,326
Total Financial Liabilities	2,110	65,019	851	852	852	852	1,227	71,763	71,763
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

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	65,437	1.0%	63,626	0.0%
Loans & Advances - Fixed Interest Rate	4,809	5.9%	5,425	5.9%
Loans & Advances - Variable Interest Rate	1,517	4.0%	1,862	4.0%
	<u>71,763</u>		<u>70,913</u>	

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 03 June 2014.

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	2015 Budget	2015 Actual	2015 Variance*		
REVENUES					
Rates & Annual Charges	18,399	18,354	(45)	(0%)	U
User Charges & Fees	14,395	15,982	1,587	11%	F
Significant plant hire by contractors of the Gerringong Bypass contributed to increased revenue by \$294K. Holiday Parks revenue increased by \$390K from increased usage of the five Parks. Blue Haven Nursing Home/Hostel/Independent Living Units contributions increased by \$198K Development application fees & subdivision fees increased by \$73K Community Support Programs increased by \$173K Leisure centre 'Learn to swim' program increased usage by \$400K Cemetery fees increased by \$48K					
Interest & Investment Revenue	1,111	1,215	104	9%	F
Other Revenues	1,726	4,820	3,094	179%	F
Fair Value of Investment Properties increased in value by \$961K Deferred Payment Liabilities Amortisation increased by \$1.7M due to turnover of Blue Haven Units Plant running revenue not budgetted for of \$149K					
Operating Grants & Contributions	9,736	9,757	21	0%	F
Capital Grants & Contributions	764	1,558	794	104%	F
S94 Developer contributions increased significantly by \$914K A recycling grant funded project was budgetted for incorrectly which decreased revenue by \$190K					
Net Gains from Disposal of Assets	508	220	(288)	(57%)	U
Sale settlement of vacant lot of land (\$285K) delayed until 2015/16 year.					

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	21,825	23,001	(1,176)	(5%)	U
Borrowing Costs	381	367	14	4%	F
Materials & Contracts	15,956	16,509	(553)	(3%)	U
Depreciation & Amortisation	7,950	8,807	(857)	(11%)	U
Depreciation figures incorrectly budgetted from 2012/13 actuals and not allowing for revaluations in 2013/14.					
Other Expenses	3,530	3,212	318	9%	F
Joint Ventures & Associates - Net Losses	-	28	(28)	0%	U

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

Cash Flows from Operating Activities	3,527	10,212	6,685	189.5%	F
Cash Flows from Investing Activities	(4,169)	(9,791)	(5,622)	134.9%	U
Cash Flows from Financing Activities	(958)	(961)	(3)	0.3%	U

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	188	77	-	7	(78)	-	194	621	(815)	-	-
Parking	157	-	-	6	(1)	-	162	1,915	(2,077)	-	-
Open Space	(22)	-	-	-	-	-	(22)	74	(52)	-	-
Community Facilities	427	623	-	14	(563)	-	501	4,840	(5,341)	-	-
Other - Council Cham.	2,183	198	-	79	(8)	-	2,452	1,552	(4,004)	-	-
Other	8	26	-	1	(3)	-	32	62	(94)	-	-
S94 Contributions - under a Plan	2,941	924	-	107	(653)	-	3,319	9,064	(12,383)	-	-
S94A Levies - under a Plan	144	190	-	5	(148)	-	191				-
Total S94 Revenue Under Plans	3,085	1,114	-	112	(801)	-	3,510				-
Total Contributions	3,085	1,114	-	112	(801)	-	3,510	9,064	(12,383)	-	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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	-	58	-	-	(58)	-	-	453	(453)	-	-
Community Facilities	221	530	-	8	(482)	-	277	4,134	(4,411)	-	-
Other - Council Cham.	2,183	198	-	79	(8)	-	2,452	1,552	(4,004)	-	-
Other	8	23	-	1	-	-	32	30	(62)	-	-
Total	2,412	809	-	88	(548)	-	2,761	6,169	(8,930)	-	-

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	-	10	-	-	(10)	-	-	76	(76)	-	-
Community Facilities	28	78	-	-	(66)	-	40	621	(661)	-	-
Other	-	3	-	-	(3)	-	-	28	(28)	-	-
Total	28	91	-	-	(79)	-	40	725	(765)	-	-

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	-	9	-	-	(9)	-	-	66	(66)	-	-
Community Facilities	-	15	-	-	(15)	-	-	116	(116)	-	-
Total	-	24	-	-	(24)	-	-	182	(182)	-	-

Notes to the Financial Statements
for the financial year ended 30 June 2015

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	157	-	-	6	(1)	-	162	914	(1,076)	-	-
Total	157	-	-	6	(1)	-	162	914	(1,076)	-	-

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	-	-	-	-	-	-	-	701	(701)	-	-
Total	-	-	-	-	-	-	-	701	(701)	-	-

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	-	-	-	-	-	-	-	300	(300)	-	-
Total	-	-	-	-	-	-	-	300	(300)	-	-

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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	167	-	-	6	(1)	-	172	(94)	(78)	-	-
Open Space	(22)	-	-	-	-	-	(22)	69	(47)	-	-
Community Facilities	173	-	-	6	-	-	179	(70)	(109)	-	-
Other	-	-	-	-	-	-	-	4	(4)	-	-
Total	318	-	-	12	(1)	-	329	(91)	(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	-	-	1	-	-	22	120	(142)	-	-
Open Space	-	-	-	-	-	-	-	5	(5)	-	-
Community Facilities	5	-	-	-	-	-	5	39	(44)	-	-
Total	26	-	-	1	-	-	27	164	(191)	-	-

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	63	56	-	1	(59)	-	61	264	(325)		-
Open Space	81	134	-	4	(89)	-	130	634	(764)		-
Total	144	190	-	5	(148)	-	191				-

Kiama Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

(ii) Statewide Limited (continued)

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(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 2015

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 2015

Note 19. Interests in Other Entities

\$ '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;

Controlled Entities (Subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint Ventures & Associates

Note 19(b)

Joint Ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint Operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	(28)	29	154	181
Associates	-	-	-	-
Total	(28)	29	154	181

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Metro Pool	Joint Venture	Net Equity	1	50
United Independent Pool	Joint Venture	Net Equity	153	131
Total Carrying Amounts - Material Joint Ventures and Associates			154	181

(b) Details

Name of Entity	Principal Activity	Place of Business
Metro Pool	Public Liability & Prof Indemnity	
United Independent Pool	Property and vehicle etc.	

(c) Relevant Interests & Fair Values

Name of Entity	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014	2015	2014
Metro Pool	na		0%	1%				
United Independent Pool	na		2%	2%				

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

(d) Summarised Financial Information for Joint Ventures & Associates

	Metro Pool		United Independent Pool	
	2015	2014	2015	2014
Statement of Financial Position				
Current Assets				
Cash and Cash Equivalents	100	46	1,554	5,636
Other Current Assets	4,762	5,599	4,473	2,461
Total Current Assets	4,862	5,645	6,027	8,097
Non-Current Assets	15,491	13,249	5,761	2,000
Current Liabilities				
Other Current Liabilities	1,238	2,608	1,800	1,156
Total Current Liabilities	1,238	2,608	1,800	1,156
Non-Current Liabilities	10,644	7,958	2,458	2,035
Net Assets	8,471	8,328	7,530	6,906
Reconciliation of the Carrying Amount				
Opening Net Assets (1 July)	8,427	8,318	6,906	6,406
Profit/(Loss) for the period	44	116	624	500
Other Adjustments to Equity	-	(106)	-	-
Closing Net Assets	8,471	8,328	7,530	6,906
Council's share of Net Assets (%)	0.0%	0.6%	2.4%	2.0%
Council's share of Net Assets (\$)	0.85	50	153	131
	Metro Pool		United Independent Pool	
	2015	2014	2015	2014
Statement of Comprehensive Income				
Income	3,341	4,423	8,696	8,743
Interest Income	953	-	387	309
Other Expenses	(4,250)	(4,307)	(8,472)	(8,552)
Profit/(Loss) from Continuing Operations	44	116	611	500
Profit/(Loss) for Period	44	116	611	500
Total Comprehensive Income	44	116	611	500
Council's share of Income (%)	-111.2%	-1.6%	3.5%	6.1%
Council's share of Profit/(Loss) (\$)	(49)	(2)	21	31
Council's share of Comprehensive Income (\$)	(49)	(2)	21	31

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council did not consolidate the following Structured Entities:

Kiama District Tourist Commerce and Industrial Association Limited (Kiama Tourism)

The principal activities undertaken include the operation of the Tourism Centre.

The purpose of Kiama Tourism is to raise the profile and performance of the tourism industry within the Kiama Local Government Area.

Kiama Tourism is financed primarily by the retail operations, commission and a levy paid by Council.

Nature of Risks relating to the Unconsolidated Structured Entity

Kiama Council has agreed to provide financial support to Kiama Tourism in form of a rental subsidy, Commercial contribution towards Kiama Visitors Guide, Membership fees and a levy.

This agreement to provide financial support is outlined in the Memorandum of Understanding between the two organisations. This agreement is valid until 2018 with annual reviews.

	2015	2014
Losses (or expenses) incurred by Council relating to the Structured Entity	158,125	247,000
Income received by Council relating to the Structured Entity		
Rental Subsidy	-	59,500
Net Assets in Council's Statement of Financial Position	-	-
Maximum Exposure to Loss from Council's interest in the Structured Entity	158,125	247,000
Difference - Net Asset / (Net Exposure) relating to the Structured Entity:	(158,125)	(247,000)

Current Intention to provide financial support

Council has a current intention to continue financial support as detailed in the Memorandum of Understanding between the two organisations.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(d) Unconsolidated Structured Entities (continued)

Southern Council's Group (SCG)

Southern Council's Group (SCG) was established to undertake the following objectives:

- a) Regional Leadership - Emerging issues of regional significance to local communities are identified and addressed where benefits may be gained.
- b) Regional Forum - a vehicle is provided for the exchange and recognition of information and ideas amongst member Councils.
- c) Strategic Partnerships - the organisation has strong interaction with other spheres of government and other regional groupings.
- d) Efficient organisation - a cost-effective results-driven service is provided for Member and affiliated Councils.
- e) Regional Programs & Projects - major identified regional needs are met with appropriate programs and projects.
- f) Joint Activities - an emphasis is placed on sharing of resources in government in the region.

SCG is financed by the member councils paying a membership fee and projects are funded by Grants.

Nature of Risks relating to the Unconsolidated Structured Entity

All member councils are required to pay a membership fee. Any losses would ultimately be borne by member councils.

	2015	2014
Losses (or expenses) incurred by Council relating to the Structured Entity	23,180	20,894
Income received by Council relating to the Structured Entity		
Administration fee	77,630	69,220
Contribution towards insurance	19,032	18,060

Net Assets in Council's Statement of Financial Position	-	-
Maximum Exposure to Loss from Council's interest in the Structured Entity	23,180	20,894
Difference - Net Asset / (Net Exposure) relating to the Structured Entity:	(23,180)	(20,894)

Current Intention to provide financial support

Kiama Municipal Council will no longer be a member of Southern Council's Group as at 1 July 2015 as the organisation transitions to become the Illawarra Pilot Joint Organisation (IPJO) with a similar structure. Kiama Council will continue to be a member of the IPJO. Kiama Council will continue to pay membership contributions.

(e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
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(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		144,832	148,934
a. Net Operating Result for the Year		(18)	(4,102)
Balance at End of the Reporting Period		144,814	144,832

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		180,280	155,637
- Investments Properties Revaluation Reserve		26,738	26,738
- Intangibles Revaluation Reserve		2,400	2,400
Total		209,418	184,775

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		155,637	167,142
- Revaluations for the year	9(a)	24,643	(11,505)
- Balance at End of Year		180,280	155,637

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

209,418	184,775
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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 2015

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 2015

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

\$ '000	2015	2015	2014	2014
	Current	Non Current	Current	Non Current
(i) Non Current Assets & Disposal Group Assets				
Non Current Assets "Held for Sale"				
Land	3,620	-	3,593	-
Total Non Current Assets "Held for Sale"	3,620	-	3,593	-

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.

<u>TOTAL NON CURRENT ASSETS</u>				
<u>CLASSIFIED AS "HELD FOR SALE"</u>	<u>3,620</u>	<u>-</u>	<u>3,593</u>	<u>-</u>

(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.

\$ '000	Assets "Held for Sale"	
	2015	2014
(iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations		
Opening Balance	3,593	3,562
Balance still unsold after 12 months:	3,593	3,562
Closing Balance of "Held for Sale"		
Non Current Assets & Operations	3,620	3,593

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 2015

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2015) 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 28/10/15.

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 2015.

(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 2015 and which are only indicative of conditions that arose after 30 June 2015.

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 2015

Note 25. Intangible Assets

	Actual	Actual
\$ '000	2015	2014

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
Net Book Value - Opening Balance	2,400	2,400

Closing Values:

Gross Book Value (30/6)	2,400	2,400
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	2,400	2,400

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 2015

Note 27. Fair Value Measurement

\$ '000

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

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

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			
2015		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 to Maturity"	dd/mm/yy	35,425	-	-	35,425
Other Financial Assets	dd/mm/yy	2,981	-	-	2,981
Total Financial Assets		38,406	-	-	38,406
Financial Liabilities					
Payables	dd/mm/yy	65,437	-	-	65,437
Loans / Advances	dd/mm/yy	6,326	-	-	6,326
Total Financial Liabilities		71,763	-	-	71,763
Investment Properties					
Other	dd/mm/yy	-	-	1,280	1,280
Blue Haven ILU	dd/mm/yy	-	-	75,812	75,812
Total Investment Properties		-	-	77,092	77,092
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	5,471	5,471
Office Equipment	30/06/15	-	-	391	391
Furniture & Fittings	30/06/15	-	-	353	353
Operational Land	30/06/13	-	-	53,150	53,150
Community Land	30/06/15	-	-	36,995	36,995
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Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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			
		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	Valuation	active mkts	inputs	inputs	
2015					
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment cont'd					
Land Under Roads	30/06/15	-	-	28	28
Land Improvements - non depreciable	30/06/15	-	-	2,186	2,186
Land Improvements - depreciable	30/06/15	-	-	1,065	1,065
Buildings - non specialised	30/06/13	-	-	11,405	11,405
Buildings - specialised	30/06/13	-	-	51,189	51,189
Other Structures	30/06/15	-	-	7,714	7,714
Roads Bridges Footpaths	30/06/15	-	-	88,220	88,220
Bulk Earthworks - non depreciable	30/06/15	-	-	22,342	22,342
Stormwater Drainage	30/06/15	-	-	24,397	24,397
Library Books	30/06/15	-	-	408	408
Other	30/06/15	-	-	342	342
Work In Progress	30/06/15	-	-	1,155	1,155
Total Infrastructure, Property, Plant & Equipment		-	-	306,811	306,811
Non Current Assets classified as "Held for Sale"					
Land	30/06/15	-	-	3,620	3,620
Total NCA's classified as "Held for Sale"		-	-	3,620	3,620
2014					
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
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
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Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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					
Infrastructure, Property, Plant & Equipment cont'd					
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 2015

Note 27. Fair Value Measurement

(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 has 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 if 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.

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%.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

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 Practicing 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 the 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.

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.

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

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' 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 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.

Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. 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). Additionally due to limitations in the historical 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.

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 2015

Note 27. Fair Value Measurement

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 2015

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
Purchases (GBV)	-	-	1,938	116	2,054
Disposals (WDV)	-	-	(496)	-	(496)
Depreciation & Impairment	-	-	(1,664)	(131)	(1,795)
Revaluation	(4,446)	31	-	-	(4,415)
Rounding	-	-	(1)	-	(1)
Closing Balance - 30/6/14	74,870	1,261	5,119	398	81,648

Purchases (GBV)	-	-	2,279	101	2,380
Disposals (WDV)	-	-	(419)	(124)	(543)
Depreciation & Impairment	-	-	(1,508)	-	(1,508)
Adjustment / Revaluation	942	19	-	-	961
WIP transfer	-	-	-	16	16
Closing Balance - 30/6/15	75,812	1,280	5,471	391	82,954

	Furniture & Fittings	Operational Land	Community Land	Land Under Roads	Total
Adoption of AASB 13	584	56,858	36,995	32	94,469
Purchases (GBV)	95	-	-	-	95
Depreciation & Impairment	(132)	-	-	-	(132)
Revaluation	-	(5,403)	-	(3)	(5,406)
Rounding	-	-	-	(1)	(1)
Closing Balance - 30/6/14	547	51,455	36,995	28	89,025
Purchases (GBV)	40	1,860	-	-	1,900
Depreciation & Impairment	(234)	(165)	-	-	(399)
Closing Balance - 30/6/15	353	53,150	36,995	28	90,526

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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)

	Land Improvem- -ents 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
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)
Rounding	-	-	(1)	2	1
Closing Balance - 30/6/14	2,186	1,086	11,751	51,124	66,147
Purchases (GBV)	-	84	88	2,427	2,599
Depreciation & Impairment	-	(112)	(466)	(2,738)	(3,316)
WIP transfers	-	7	32	376	415
Closing Balance - 30/6/15	2,186	1,065	11,405	51,189	65,845

	Other Structures	Roads	Bulk Earthworks	Stormwater Drainage	Total
Adoption of AASB 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)
Rounding	-	-	1	-	1
Closing Balance - 30/6/14	7,089	69,132	27,219	16,306	119,746
Purchases (GBV)	538	741	-	-	1,279
Disposals (WDV)	(8)	(2)	-	-	(10)
Depreciation & Impairment	(464)	(2,877)	-	(224)	(3,565)
Revaluation	-	21,205	(4,877)	8,315	24,643
WIP transfers	559	21	-	-	580
Closing Balance - 30/6/15	7,714	88,220	22,342	24,397	142,673

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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)

	Library Books	Other	WIP	Held for Sale	Total
Adoption of AASB 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
Transfers from/(to) another asset class	-	-	(1,275)	-	(1,275)
Purchases (GBV)	101	-	1,155	27	1,283
Depreciation & Impairment	(44)	(16)	-	-	(60)
WIP transfers	-	264	-	-	264
Closing Balance - 30/6/15	408	342	1,155	3,620	5,525

	Investments Held to Maturity	Total
Adoption of AASB 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
Disposals (WDV)	(1,200)	(1,200)
Revaluation	(133)	(133)

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

355 355

d. 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 2015

Note 28. Segment Reporting

\$ '000	Notes	Actual 2015	Actual 2014
Residential Aged Care: Blue Haven Nursing Home & Hostel - RAC ID 0094			
Income Statement			
Income from Continuing Operations			
Resident Fees		1,809	1,834
Other Revenues		224	212
Grants & Contributions provided for Operating Purposes		3,134	3,434
Grants & Contributions provided for Capital Purposes		-	-
Net gains from the disposal of assets		-	-
Total Income from Continuing Operations		5,167	5,480
Expenses from Continuing Operations			
Employee Costs		3,837	3,906
Borrowing Costs		54	60
Care Costs		65	53
Catering Costs		240	229
Cleaning / Laundry Costs		71	88
Repairs & Maintenance Costs		170	112
Utilities Costs		128	119
Depreciation		338	489
Other Expenses		186	125
Net Losses from the Disposal of Assets		-	8
Total Expenses from Continuing Operations		5,089	5,189
Operating Result from Continuing Operations		78	291
Net Profit/(Loss) from Discontinued Operations		-	-
Net Operating Result for the Year		78	291
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			
		78	291

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 28. Segment Reporting (continued)

\$ '000	Notes	Actual 2015	Actual 2014
Residential Aged Care: Blue Haven Nursing Home & Hostel - RAC ID 0094			
Balance Sheet			
ASSETS			
Current Assets			
Cash & Cash Equivalents		11,479	9,279
Investments		-	-
Receivables		-	11
Inventories		-	-
Other		-	-
Total Current Assets		11,479	9,290
Non-Current Assets			
Investments		-	-
Receivables		-	(1)
Inventories		-	-
Infrastructure, Property, Plant & Equipment		15,378	15,675
Investment Property		-	-
Intangible Assets		2,400	2,400
Other		-	-
Total Non-Current Assets		17,778	18,074
TOTAL ASSETS		29,257	27,364
LIABILITIES			
Current Liabilities			
Payables		500	500
Borrowings		799	95
Provisions		318	364
Total Current Liabilities		1,617	959
Non-Current Liabilities			
Payables		4,106	2,150
Borrowings		-	799
Provisions		-	-
Total Non-Current Liabilities		4,106	2,949
TOTAL LIABILITIES		5,723	3,908
Net Assets		23,534	23,456
EQUITY			
Retained Earnings		11,579	11,501
Revaluation Reserves		11,955	11,955
Total Equity		23,534	23,456

Kiama Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 29. Financial Review

\$ '000

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

Financial Performance Figures	2015	2014	2013	2012	2011
Inflows:					
Rates & Annual Charges Revenue	18,354	17,237	16,428	15,435	14,732
User Charges Revenue	15,982	15,304	14,031	14,067	13,787
Interest & Investment Revenue (Losses)	1,215	1,719	1,724	1,484	2,310
Grants Income - Operating & Capital	9,128	10,483	9,531	10,319	9,678
Total Income from Continuing Operations	51,906	51,559	52,809	51,757	47,676
Sale Proceeds from I,PP&E	912	3,511	5,214	4,683	843
New Loan Borrowings & Advances	-	2,025	2,553	-	-
Outflows:					
Employee Benefits & On-cost Expenses	23,001	22,248	22,144	20,420	20,016
Borrowing Costs	367	393	345	329	847
Materials & Contracts Expenses	16,509	16,435	15,575	15,355	15,247
Total Expenses from Continuing Operations	51,924	55,661	49,281	47,121	47,331
Total Cash purchases of I,PP&E	9,441	7,976	6,190	6,176	4,390
Total Loan Repayments (incl. Finance Leases)	961	980	870	1,120	18,644
Operating Surplus/(Deficit) (excl. Capital Income)	(1,576)	(5,885)	2,911	3,803	(753)
Financial Position Figures	2015	2014	2013	2012	2011
Current Assets	45,620	44,860	40,449	35,167	31,685
Current Liabilities	73,654	70,596	69,791	70,017	70,914
Net Current Assets	(28,034)	(25,736)	(29,342)	(34,850)	(39,229)
Available Working Capital (Unrestricted Net Current Assets)	(53,368)	(51,023)	(50,041)	24,474	22,571
Cash & Investments - Unrestricted	4,869	5,654	5,788	19,968	19,112
Cash & Investments - Internal Restrictions	27,079	26,061	21,534	1,607	1,365
Cash & Investments - Total	38,406	37,850	32,398	26,847	25,828
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	6,326	7,287	6,242	4,559	5,679
Total Value of I,PP&E (excl. Land & Earthworks)	330,513	313,499	326,088	299,667	294,210
Total Accumulated Depreciation	138,403	149,227	155,935	147,402	139,531
Indicative Remaining Useful Life (as a % of GBV)	58%	52%	52%	51%	53%

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 2015

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 4232 0444

Facsimile: 02 4232 0555

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

ABN: 22 379 679 108

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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KIAMA MUNICIPAL COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2015

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 2015, 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 2015, 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 2015 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, 28 October 2015

Level 22 MLC Centre
 19 Martin Place
 Sydney NSW 2000
 Australia

Postal Address:
 GPO Box 1615
 Sydney NSW 2001
 Australia

Tel: +61 2 9221 2099
 Fax: +61 2 92231762

www.pitcher.com.au
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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 2015

Kiama Municipal Council has prepared a general purpose financial report for the year ended 30 June 2015 on which we issued a separate audit report to the Council dated 28 October 2015. 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 2015 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

	2015 Actual \$'000	2015 Budget \$'000	* Budget Variance %	2014 Actual \$'000
Operating result	(18)	(3,003)	99.4%F	(4,102)
Operating result before capital revenue	(1,576)	(3,767)	58.16%F	(5,885)
Rates & annual charges	18,354	18,399	0.24%U	17,237
Operating grants & contributions	9,757	9,736	0.22%F	10,177
Capital grants & contributions	1,558	764	103.93%F	1,783
Depreciation & amortisation	8,807	7,950	10.78%U	8,972

* 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 2015 year was a marginal deficit of \$0.018M compared with a budgeted deficit of \$3.003M and the 2014 deficit of \$4.102M. The 2015 operating result improvement to budget was the result of:

- Improved results for 'users charges' - particularly related to the leisure centre operating for the entire financial year, 'other revenue' - including indexation of the Blue Haven investment property valuation; and an increase in amortisation revenue from Blue Haven unit turnovers as well as 'capital contributions', including increased Section 94 developer contributions.
- The actual expense total was unfavourable to budget however to a lesser degree than the improved revenue performance.

Operating Result before Capital. The operating result before Capital grants and contributions was a deficit of \$1.576M compared with the prior year deficit of \$5.885M. This compared with the 2015 budget deficit of \$3.767M.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$18.354M from \$17.237M and \$16.428M in prior years. The increase was in accordance with expectations for the 2015 year in which an increase in excess of the rates pegged was anticipated.

Grants and Contributions. Operating grants and contributions for the year totalled \$9.757M (2014: \$10.177M) and represented 18.8% of total income from continuing operations. This compares with budget of \$9.736M indicating management correctly estimated the return to a full year's Financial Assistance Grant being received.

Capital grants and contributions amounted to \$1.558M for the 2015 year and represented 3.0% of total income from continuing operations. This compares with budget of \$0.764M with grants finalised post-budget not included.

Depreciation. Included in the operating result was \$8.807M for the depreciation and amortisation of infrastructure, property, plant and equipment which was comparable to \$8.972M for 2014 year and compared with the original budget of \$7.950M. Depreciation of Council's assets represents approximately 17% of total operating expenses. This plateauing of the depreciation expense results from the fact the last significant valuation occurred as at 30 June 2013 for Buildings for which an increase in depreciation expense occurred in 2014.

Statement of Financial Position

Council's equity at 30 June 2015 amounted to \$354.232M comprised of retained earnings (\$144.814M), and reserves (\$209.418M) arising from revaluation of infrastructure assets in prior years.

The most significant impact on the asset revaluation reserve for 2015 was the fair valuation of road assets and associated categories as at 30 June 2015.

At balance date Council had not utilised any of its bank overdraft facility of \$2.0M.

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2015 Actual \$'000	2015 Budget \$'000	* Budget Variance %	2014 Actual \$'000
Net cash flows from operations	10,212	3,527	189.54%F	8,583
Net cash flows from investing	(9,791)	(4,169)	134.85%U	(7,758)
Net cash flows from financing	(961)	(958)	0.31%U	1,045
Net movement in cash	(540)	(1,600)		1,870

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

Council's cash and cash equivalent balances decreased to a total of \$2.981M during the year, in line with a budgeted decrease in cash. The net result occurred with significantly more cash than budget from operations offset by significantly less cash from investments where budgeted cash flows from sale of investment items and property, plant and equipment did not occur.

Total Investments and Cash Balances

Council's cash and investments balances totaled \$38.406M at 30 June 2015 compared to \$37.850M in 2014. The balance was comprised of the following:

	2015 \$'000	2014 \$'000
Externally restricted cash	6,458	6,135
Internally restricted cash	27,079	26,061
Unrestricted cash	4,869	5,654
<i>Total Cash, Cash Equivalents and Investments</i>	<i>38,406</i>	<i>37,850</i>

Council's cash balance and restrictions thereon remained very stable throughout the year. The increase in externally restricted cash balances is marginal whilst the internal restriction increase largely relates to increases in the Blue Haven Care related deposits received.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2015 year results with prior years.

Operating performance Ratio. At -5.27% (2014: -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 previous years.

Own source operating revenue ratio. The ratio of 77.75% in line with 2014 and 2013 and well above industry benchmarks and indicates that Council's reliance on external funding sources is minimal.

Unrestricted Current Ratio. The 2015 ratio of 3.94:1 is a slight decrease after continued improvement experienced in recent years to 2014 (where 4.40:1). This ratio 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 1.77% a continued improvement from 2.25% in 2014. 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 10.34 (2014: 9.69) exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term obligations.

Legislative Compliance

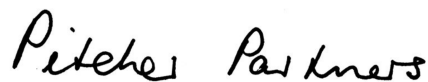
As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local 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, 28 October 2015

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

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



Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

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 2015

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.

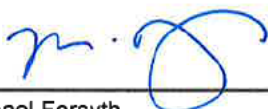
Signed in accordance with a resolution of Council made on 15 September 2015.



Brian Petschler
MAYOR



Warren Steel
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 2015

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	8,143	8,201	1,660	1,666
Fees	-	-	2,249	2,207
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	10	37
Other income	100	95	535	496
Total income from continuing operations	8,243	8,296	4,454	4,406
Expenses from continuing operations				
Employee benefits and on-costs	127	117	1,113	989
Borrowing costs	57	79	-	-
Materials and contracts	4,525	4,453	1,814	1,808
Depreciation and impairment	658	677	515	578
Loss on sale of assets	-	11	-	-
Calculated taxation equivalents	19	20	-	-
Debt guarantee fee (if applicable)	98	117	-	-
Other expenses	1,004	1,040	42	89
Total expenses from continuing operations	6,488	6,514	3,484	3,464
Surplus (deficit) from Continuing Operations before capital amounts	1,755	1,782	970	942
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,755	1,782	970	942
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	1,755	1,782	970	942
less: Corporate Taxation Equivalent (30%) [based on result before capita]	(527)	(535)	(291)	(283)
SURPLUS (DEFICIT) AFTER TAX	1,229	1,247	679	659
plus Opening Retained Profits	9,316	9,320	8,069	7,127
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments - rounding	(1)	1	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	19	20	-	-
- Debt guarantee fees	98	117	-	-
- Corporate taxation equivalent	527	535	291	283
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,728)	(1,924)	-	-
Closing Retained Profits	9,459	9,316	9,039	8,069
Return on Capital %	11.8%	11.9%	65.0%	51.1%
Subsidy from Council	-	-	-	-

Kiama Municipal Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	1,557	1,728	7,754	6,432
Investments	-	-	-	-
Receivables	88	85	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,645	1,813	7,754	6,432
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	15,348	15,601	1,493	1,845
Investments accounted for using equity method	-	-	-	-
Investment property	83	83	-	-
Other	-	-	-	-
Total Non-Current Assets	15,431	15,684	1,493	1,845
TOTAL ASSETS	17,076	17,497	9,247	8,277
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	546	534	-	-
Provisions	12	8	-	-
Total Current Liabilities	558	542	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	1,637	2,183	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	1,637	2,183	-	-
TOTAL LIABILITIES	2,195	2,725	-	-
NET ASSETS	14,881	14,772	9,247	8,277
EQUITY				
Retained earnings	9,459	9,316	9,039	8,069
Revaluation reserves	5,422	5,456	208	208
Council equity interest	14,881	14,772	9,247	8,277
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	14,881	14,772	9,247	8,277

Kiama Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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 2015

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 nominated business activities and are reflected in these financial statements.

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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".

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

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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 3.02% at 30/6/15.

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.

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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KIAMA MUNICIPAL COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2015

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 statement of financial position as at 30 June 2015 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 2015 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

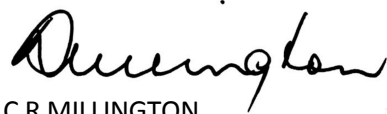
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the 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 2015 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 28 October 2015.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 28 October 2015

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

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



Kiama Municipal Council

Special Schedules

for the financial year ended 30 June 2015

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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 2015)	5
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	10

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 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,186	-	-	(1,186)
Administration	13,383	2,460	-	(10,923)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	285	153	90	(42)
Beach Control	543	6	-	(537)
Enforcement of Local Govt. Regulations	133	108	-	(25)
Animal Control	140	35	-	(105)
Other	-	-	-	-
Total Public Order & Safety	1,101	302	90	(709)
Health	324	205	100	(19)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	646	31	-	(615)
Solid Waste Management	4,357	5,981	-	1,624
Street Cleaning	147	-	-	(147)
Drainage	-	-	-	-
Stormwater Management	301	-	-	(301)
Total Environment	5,451	6,012	-	561
Community Services and Education				
Administration & Education	703	29	-	(674)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	9,142	11,728	-	2,586
Children's Services	67	63	-	(4)
Total Community Services & Education	9,912	11,820	-	1,908
Housing and Community Amenities				
Public Cemeteries	98	256	-	158
Public Conveniences	236	-	-	(236)
Street Lighting	-	-	-	-
Town Planning	296	514	1,114	1,332
Other Community Amenities	18	-	-	(18)
Total Housing and Community Amenities	648	770	1,114	1,236
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Kiama Municipal Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,386	155	-	(1,231)
Museums	-	1	-	1
Art Galleries	45	-	-	(45)
Community Centres and Halls	2,484	588	-	(1,896)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	236	54	-	(182)
Sporting Grounds and Venues	301	15	-	(286)
Swimming Pools	1,922	1,850	-	(72)
Parks & Gardens (Lakes)	475	14	-	(461)
Other Sport and Recreation	943	123	-	(820)
Total Recreation and Culture	7,792	2,800	-	(4,992)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	500	178	-	(322)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	500	178	-	(322)
Transport and Communication				
Urban Roads (UR) - Local	1,652	586	254	(812)
Urban Roads - Regional	154	62	-	(92)
Sealed Rural Roads (SRR) - Local	931	-	-	(931)
Sealed Rural Roads (SRR) - Regional	668	-	-	(668)
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	11	-	-	(11)
Footpaths	581	86	-	(495)
Aerodromes	-	-	-	-
Other Transport & Communication	734	152	-	(582)
Total Transport and Communication	4,788	886	254	(3,648)
Economic Affairs				
Camping Areas & Caravan Parks	6,144	8,239	-	2,095
Other Economic Affairs	667	287	-	(380)
Total Economic Affairs	6,811	8,526	-	1,715
Totals – Functions	51,896	33,959	1,558	(16,379)
General Purpose Revenues ⁽²⁾		16,389		16,389
Share of interests - joint ventures & associates using the equity method	28	-		(28)
NET OPERATING RESULT ⁽¹⁾	51,924	50,348	1,558	(18)

(1) As reported in the Income Statement

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

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2015

\$'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	616	4,809	5,425	-	616	-	-	294	1,351	3,458	4,809
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	616	4,809	5,425	-	616	-	-	294	1,351	3,458	4,809
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	346	1,516	1,862	-	342	3	-	73	342	1,175	1,517
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	346	1,516	1,862	-	342	3	-	73	342	1,175	1,517
Total Debt	962	6,325	7,287	-	958	3	-	367	1,693	4,633	6,326

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).

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings										
	Commercial Premises	5	-	-	20,070	23%	77%	0%	0%	0%
	Community Services	621	-	-	11,795	2%	94%	4%	0%	0%
	Holiday Parks	17	-	-	12,125	1%	97%	2%	0%	0%
	KMC Operational	63	-	-	6,149	0%	92%	8%	0%	0%
	Public Toilets	-	-	-	3,563	28%	52%	20%	0%	0%
	Rural Fire Service	-	-	-	580	9%	72%	19%	0%	0%
	Sports Facilities	157	-	-	2,850	2%	90%	8%	0%	0%
	State Emergency Services	-	-	-	528	0%	100%	0%	0%	0%
	Surf Life Saving Clubs	-	-	-	4,750	0%	100%	0%	0%	0%
	Other-Total Maint for Asset Class	-	550	512	184	91%	9%	0%	0%	0%
	sub total	863	550	512	62,594	10.0%	86.4%	3.6%	0.0%	0.0%
Other Structures										
	Other Structures	917	130	122	7,714	21%	55%	24%	0%	0%
	sub total	917	130	122	7,714	21.0%	55.0%	24.0%	0.0%	0.0%
Roads										
	Urban - Total Maint for Category	-	640	671	-					
	Urban - Surface	1,040	-	-	9,339	36%	54%	9%	1%	0%
	Urban - Pavement	-	-	-	19,760	5%	84%	11%	0%	0%
	Urban - Bridges	-	-	-	1,492	0%	98%	2%	0%	0%
	Urban - K&G	-	-	-	21,598	4%	96%	0%	0%	0%
	Urban - Footpaths	-	-	-	4,243	17%	76%	7%	0%	0%
	Urban - Other	58	-	-	2,161	30%	62%	8%	0%	0%
	Rural - Total Maint for Category	-	510	452	-					
	sub total	567	-	-	717	23.0%	47.0%	17.0%	12.0%	1.0%

(continued on the
next page...)

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Roads (continued)	Rural - Pavement	-	-	-	11,796	3%	97%	0%	0%	0%
	Rural - Bridges	254	-	-	1,926	7%	93%	0%	0%	0%
	Rural - K&G	-	-	-	39	0%	100%	0%	0%	0%
	Rural - Footpaths	-	-	-	-	100%	0%	0%	0%	0%
	Rural - Other	2	-	-	107	9%	40%	51%	0%	0%
	Regional - Total Maint for Category	-	360	527	-					
	Regional - Surface	54	-	-	3,000	24%	75%	1%	0%	0%
	Regional - Pavement	-	-	-	4,651	0%	89%	11%	0%	0%
	Regional - Bridges	46	-	-	2,673	0%	48%	52%	0%	0%
	Regional - K&G	-	-	-	849	99%	0%	0%	0%	1%
	Regional - Other	13	-	-	306	37%	55%	8%	0%	0%
	Access Roads & Carparks - Surface	-	-	-	554	4%	85%	11%	0%	0%
	Access Roads & Carparks - Pavement	-	-	-	154	33%	67%	0%	0%	0%
	Access Roads & Carparks - Bridges	-	-	-	323	72%	28%	0%	0%	0%
	Access Roads & Carparks - K&G	-	-	-	92	0%	100%	0%	0%	0%
	Access Roads & Carparks - Footpaths	90	-	52	2,043	32%	65%	1%	0%	2%
	Access Roads & Carparks - Other	124	-	-	397	12%	87%	1%	0%	0%
	sub total	2,248	1,510	1,702	88,220	11.3%	82.0%	6.5%	0.2%	0.1%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Pits	-	-	-	6,415	13%	87%	0%	0%	0%
	Pipes	-	-	-	17,956	7%	93%	0%	0%	0%
	Open Channel	-	-	-	26	100%	0%	0%	0%	0%
	Other - Total Maint for Asset Class	-	150	114	-					
	sub total	-	150	114	24,397	8.7%	91.3%	0.0%	0.0%	0.0%
Open Space/ Recreational Assets										
	Depreciable Land Improvements	463	1,660	1,472	1,065	18%	70%	6%	2%	4%
	sub total	463	1,660	1,472	1,065	18.0%	70.0%	6.0%	2.0%	4.0%
	TOTAL - ALL ASSETS	4,491	4,000	3,922	183,990	10.9%	83.5%	5.4%	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 2015

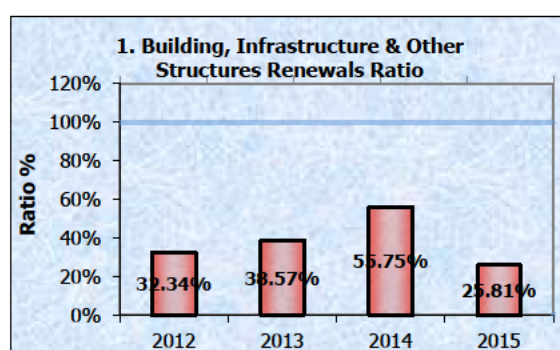
\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) ⁽¹⁾	1,747	25.81%	55.75%	38.57%
Depreciation, Amortisation & Impairment	6,769			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	4,491	2.44%	1.65%	6.13%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	183,990			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	3,922	0.98	0.95	1.21
Required Asset Maintenance	4,000			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	8,985	1.02	0.73	0.69
Annual Depreciation	8,807			

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, infrastructure & Other Structure 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 2015

Benchmark: — Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Renewals Ratio

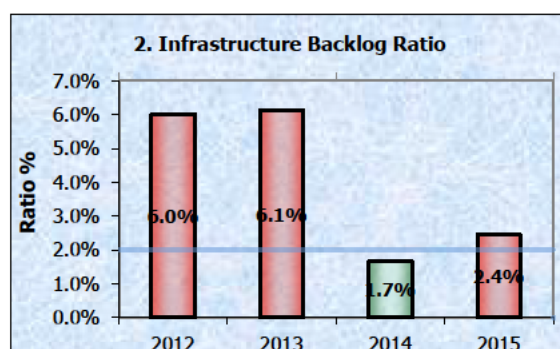
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2014/15 Result

2014/15 Ratio 25.81%

Provide some commentary of the ratio here...

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Infrastructure Backlog Ratio

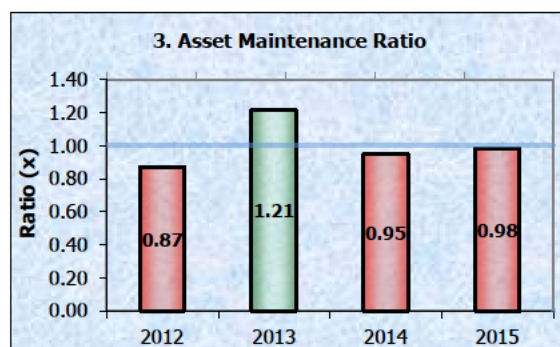
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2014/15 Result

2014/15 Ratio 2.44%

Provide some commentary of the ratio here...

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Maintenance Ratio

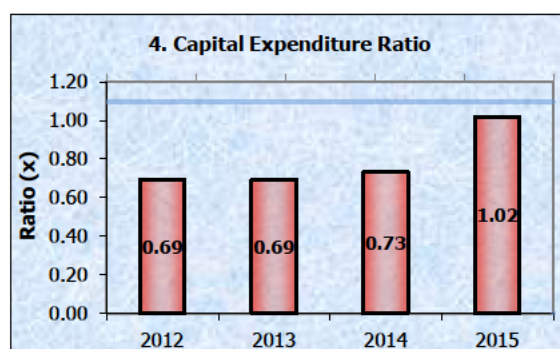
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2014/15 Result

2014/15 Ratio 0.98 x

Provide some commentary of the ratio here...

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

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.

Commentary on 2014/15 Result

2014/15 Ratio 1.02 x

Provide some commentary of the ratio here...

Ratio is within Benchmark
Ratio is outside Benchmark

Kiama Municipal Council

Special Schedule No. 9 - Permissible Income Calculation for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	13,565	14,104
Plus or minus Adjustments ⁽²⁾	b	79	211
Notional General Income	c = (a + b)	13,644	14,315
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d		
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	314	344
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	13,958	14,659
plus (or minus) last year's Carry Forward Total	l	85	(60)
less Valuation Objections claimed in the previous year	m	-	(1)
sub-total	n = (l + m)	85	(61)
Total Permissible income	o = k + n	14,043	14,597
less Notional General Income Yield	p	14,104	14,596
Catch-up or (excess) result	q = o - p	(61)	1
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	1	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	(60)	1

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 92231762

www.pitcher.com.au
partners@pitcher-nsw.com.au

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KIAMA MUNICIPAL COUNCIL

Special Schedule No. 9

Independent Auditors' Report to the Council for the Year ended 30 June 2016

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 2016.

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. 23. 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

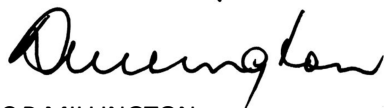
In our opinion, Special Schedule No. 9 of Kiama Municipal Council for the year ending 30 June 2016 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

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 2016 is presented fairly. As a result, the schedule may not be suitable for another purpose.



PITCHER PARTNERS



C R MILLINGTON
Partner

Sydney, 27 October 2015