

Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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



Kiama Municipal Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Kiama Municipal Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

11 Manning Street
Kiama NSW 2533

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.kiama.nsw.gov.au.

Kiama Municipal Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Kiama Municipal Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management

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

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- 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,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 October 2018.



Mark Honey
Mayor
16 October 2018



Andrew Sloan
Councillor
16 October 2018



Kerry McMurray
General Manager
16 October 2018



Robert Owens
Responsible Accounting Officer
16 October 2018

Kiama Municipal Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
21,140	Rates and annual charges	3a	20,883	19,838
16,856	User charges and fees	3b	19,440	18,678
1,734	Interest and investment revenue	3c	1,015	1,844
2,011	Other revenues	3d	3,854	3,271
12,756	Grants and contributions provided for operating purposes	3e,f	9,524	11,712
2,932	Grants and contributions provided for capital purposes	3e,f	2,911	16,855
<i>Other income:</i>				
3,807	Net gains from the disposal of assets	5	–	–
–	Fair value increment on investment property	11	1,216	1,705
–	Net share of interests in joint ventures and associates using the equity method	17	68	50
61,236	Total income from continuing operations		58,911	73,953
Expenses from continuing operations				
24,510	Employee benefits and on-costs	4a	26,406	24,825
195	Borrowing costs	4b	156	221
18,926	Materials and contracts	4c	18,781	18,159
6,448	Depreciation and amortisation	4d	7,116	6,556
3,625	Other expenses	4e	3,110	3,132
–	Net losses from the disposal of assets	5	3,204	328
53,704	Total expenses from continuing operations		58,773	53,221
7,532	Operating result from continuing operations		138	20,732
7,532	Net operating result for the year		138	20,732
7,532	Net operating result attributable to Council		138	20,732
4,600	Net operating result for the year before grants and contributions provided for capital purposes		(2,773)	3,877

Kiama Municipal Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		138	20,732
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	1,483	–
Other comprehensive income – joint ventures and associates	17b	2	(2)
Other movements in reserves		2,950	–
Total items which will not be reclassified subsequently to the operating result		4,435	(2)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves	12	2,950	–
Other movements		(2,950)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	–
Total other comprehensive income for the year		4,435	(2)
Total comprehensive income for the year		4,573	20,730
Total comprehensive income attributable to Council		4,573	20,730

Kiama Municipal Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	10,117	5,104	418
Investments	6b	23,000	34,278	35,995
Receivables	7	2,062	2,023	2,602
Inventories	8	192	243	227
Other	8	–	5	58
Non-current assets classified as 'held for sale'	9	3,750	3,756	3,729
Total current assets		39,121	45,409	43,029
Non-current assets				
Receivables	7	489	551	552
Infrastructure, property, plant and equipment	10, 15	357,285	345,662	326,444
Investment property	11	81,269	80,053	78,075
Intangible assets	12	5,350	2,400	2,400
Investments accounted for using the equity method	17	227	157	109
Total non-current assets		444,620	428,823	407,580
TOTAL ASSETS		483,741	474,232	450,609
LIABILITIES				
Current liabilities				
Payables	13	73,032	68,206	65,003
Income received in advance	13	996	723	76
Borrowings	13	892	654	843
Provisions	14	6,928	6,654	6,766
Total current liabilities		81,848	76,237	72,688
Non-current liabilities				
Borrowings	13	2,458	3,136	3,789
Provisions	14	128	125	128
Total non-current liabilities		2,586	3,261	3,917
TOTAL LIABILITIES		84,434	79,498	76,605
Net assets		399,307	394,734	374,004
EQUITY				
Accumulated surplus		209,547	209,407	188,677
Revaluation reserves	15	186,810	185,327	185,327
Other reserves		2,950	–	–
Total equity		399,307	394,734	374,004

Kiama Municipal Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Other	Total equity	2017	IPP&E	Other	Restated
		Accumulated surplus	revaluation reserve	reserves (specify)		Accumulated surplus	revaluation reserve	reserves (specify)	Total equity
Opening balance		209,407	185,327	–	394,734	188,677	196,862	–	385,539
Correction of prior period errors	15 (b)	–	–	–	–	–	(11,535)	–	(11,535)
Restated opening balance		209,407	185,327	–	394,734	188,677	185,327	–	374,004
Net operating result for the year prior to correction of errors and changes in accounting policies		138	–	–	138	20,732	–	–	20,732
Net operating result for the year		138	–	–	138	20,732	–	–	20,732
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10a	–	1,483	–	1,483	–	–	–	–
– Gain (loss) on revaluation of other reserves	12	–	–	2,950	2,950	–	–	–	–
– Joint ventures and associates	17b	2	–	–	2	(2)	–	–	(2)
Other comprehensive income		2	1,483	2,950	4,435	(2)	–	–	(2)
Total comprehensive income (c&d)		140	1,483	2,950	4,573	20,730	–	–	20,730
Equity – balance at end of the reporting period		209,547	186,810	2,950	399,307	209,407	185,327	–	394,734

Kiama Municipal Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
20,382	Rates and annual charges		20,818	19,961
17,308	User charges and fees		19,552	19,504
1,631	Investment and interest revenue received		1,040	1,702
16,325	Grants and contributions		12,401	28,957
–	Bonds, deposits and retention amounts received		–	69
1,034	Other		4,087	3,301
Payments:				
(24,467)	Employee benefits and on-costs		(26,129)	(24,940)
(17,494)	Materials and contracts		(16,989)	(17,948)
(195)	Borrowing costs		(156)	(221)
–	Bonds, deposits and retention amounts refunded		(82)	–
(3,663)	Other		62	(172)
10,861	Net cash provided (or used in) operating activities	16b	14,604	30,213
Cash flows from investing activities				
Receipts:				
4,000	Sale of investment securities		37,278	35,995
2,000	Sale of real estate assets		–	–
284	Sale of infrastructure, property, plant and equipment		1,615	767
Payments:				
–	Purchase of investment securities		(23,025)	(37,279)
–	Purchase of investment property		–	(273)
(34,118)	Purchase of infrastructure, property, plant and equipment		(25,019)	(26,955)
(7,700)	Purchase of real estate assets		–	60
(35,534)	Net cash provided (or used in) investing activities		(9,151)	(27,685)
Cash flows from financing activities				
Receipts:				
32,500	Proceeds from borrowings and advances		–	–
Payments:				
(815)	Repayment of borrowings and advances		(440)	(842)
31,685	Net cash flow provided (used in) financing activities		(440)	(842)
7,012	Net increase/(decrease) in cash and cash equivalents		5,013	1,686
12,102	Plus: cash and cash equivalents – beginning of year	16a	5,104	3,418
19,114	Cash and cash equivalents – end of the year	16a	10,117	5,104
Additional Information:				
	plus: Investments on hand – end of year	6b	23,000	34,278
	Total cash, cash equivalents and investments		33,117	39,382

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18/09/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 23 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 include:

- (i) estimated fair values of investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of 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

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	1,472	1,349	(1,472)	(1,349)	–	–	–	–
Corporate Services	2,281	4,315	7,523	5,452	(5,242)	(1,137)	1,945	2,532	92,855	78,658
Community Services	5,797	6,550	7,665	7,550	(1,868)	(1,000)	2,413	3,328	47,972	16,067
Environmental Services	6,814	6,688	7,733	7,367	(919)	(679)	9	77	670	1,463
Engineering & Works	4,269	16,685	18,287	16,409	(14,018)	276	2,105	1,685	228,645	259,109
Commercial Activities	21,579	20,845	16,093	15,094	5,486	5,751	3,534	1,531	113,372	118,778
Share of gains/(losses) in associates and joint ventures (using the equity method)	68	50	–	–	68	50	–	–	227	157
General purpose income	18,103	18,820	–	–	18,103	18,820	–	2,435	–	–
Total functions and activities	58,911	73,953	58,773	53,221	138	20,732	10,006	11,588	483,741	474,232

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	13,441	12,962
Farmland	573	565
Business	1,176	1,141
Total ordinary rates	15,190	14,668
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,227	4,933
Stormwater management services	214	–
Waste management services (non-domestic)	252	237
Total annual charges	5,693	5,170
TOTAL RATES AND ANNUAL CHARGES	20,883	19,838

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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.

(b) User charges and fees

Specific user charges (per s.502 – specific 'actual use' charges)

Contract plant and truck hire	964	1,273
Trade waste	99	104
Total specific user charges	1,063	1,377

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Building services – other	161	197
Planning and building regulation	667	822
Registration fees	29	21
Section 603 certificates	44	53
Total fees and charges – statutory/regulatory	901	1,093

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Blue Haven aged care	2,779	2,824
Blue Haven care – in home support packages	2,170	1,911
Council properties	704	537
Engineering services	208	149
Holiday parks	9,011	8,096
Lease rentals	–	78
Leisure centre	1,766	1,820
Library and family history centre	83	111
Public cemeteries	269	252
Saddleback mountain tower	131	81
Sundry sales	–	2
Waste disposal tipping fees	131	121
Other	224	226
Total fees and charges – other	17,476	16,208
TOTAL USER CHARGES AND FEES	19,440	18,678

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest		
– Overdue rates and annual charges (incl. special purpose rates)	33	33
– Cash and investments	957	1,811
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	25	–
TOTAL INTEREST AND INVESTMENT REVENUE	1,015	1,844

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	33	33
General Council cash and investments	885	1,684

Restricted investments/funds – external:

Development contributions		
– Section 7.11	97	127
Total interest and investment revenue recognised	1,015	1,844

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	37	79
Rental income – other council properties		115	99
Fines – parking		37	56
Fines – other		77	34
Legal fees recovery – rates and charges (extra charges)		80	67
Deferred payment liabilities amortisation		1,747	1,743
Diesel fuel rebate		39	51
Insurance claim recoveries		238	90
Motor vehicle leaseback		220	239
Recycling income (non-domestic)		52	14
Section 88 rebate		65	87
Workers comp. refund		176	–
Option fee property sale		80	350
Other		891	362
<u>TOTAL OTHER REVENUE</u>		<u>3,854</u>	<u>3,271</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,641	2,260	–	–
Other				
Pensioners' rates subsidies – general component	238	175	–	–
Total general purpose	1,879	2,435	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	–	67	–	–
Blue Haven care – in home support packages	239	–	–	–
Blue Haven retirement village	3,025	3,296	–	32
Bushfire and emergency services	150	129	–	–
CCTV	–	–	–	64
Community transport	279	304	–	–
Cultural development	5	59	–	–
Dementia friendly community program	32	15	–	–
Domestic assistance	–	492	–	–
Economic development	5	5	–	–
Environmental protection	23	24	–	–
Heritage and cultural	6	6	–	–
Library	66	–	83	–
Library – per capita	–	57	–	–
Library – special projects	–	7	–	200
LIRS subsidy	113	98	–	–
Organics and recycling	3	21	–	20
Regional carer respite centre	1,144	1,943	–	–
Restart – infrastructure	–	–	462	550
Road safety program	61	26	–	–
Street lighting	42	45	–	–
Traffic facilities/black spot program	–	–	174	64
Transport (roads to recovery)	425	701	–	–
Youth opportunities	43	50	–	–
Community support	1,215	830	–	–
Life saving observation tower	–	–	35	29
Youth week	–	1	–	–
Amenities Block Upgrades	–	–	124	–
Leisure Centre Carpark	–	–	74	–
Ambulance Carpark	–	–	49	–
Jamberoo Pool Refurbishment	–	–	250	–
Other	–	8	–	10
Total specific purpose	6,876	8,184	1,251	969
Total grants	8,755	10,619	1,251	969
Grant revenue is attributable to:				
– Commonwealth funding	7,319	5,530	250	125
– State funding	1,154	5,002	1,001	74
– Other funding	282	87	–	770
	8,755	10,619	1,251	969

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	827	2,123
Total developer contributions – cash		–	–	827	2,123
Total developer contributions	25	–	–	827	2,123
Other contributions:					
Cash contributions					
Community bus		43	71	–	–
Community services		124	85	–	–
Regional carer respite centre		–	244	–	–
RMS contributions (regional roads, block grant)		602	621	–	–
RMS contributed assets		–	–	–	13,642
Contributed assets		–	–	833	–
Other		–	72	–	121
Total other contributions – cash		769	1,093	833	13,763
Total other contributions		769	1,093	833	13,763
Total contributions		769	1,093	1,660	15,886
TOTAL GRANTS AND CONTRIBUTIONS		9,524	11,712	2,911	16,855

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Add: operating grants recognised in the current period but not yet spent	474	–
Unexpended and held as restricted assets (operating grants)	<u>474</u>	<u>–</u>
Capital grants		
Unexpended at the close of the previous reporting period	299	390
Add: capital grants recognised in the current period but not yet spent	12	–
Less: capital grants recognised in a previous reporting period now spent	(299)	(91)
Unexpended and held as restricted assets (capital grants)	<u>12</u>	<u>299</u>
Contributions		
Unexpended at the close of the previous reporting period	5,116	4,306
Add: contributions recognised in the current period but not yet spent	924	2,422
Less: contributions recognised in a previous reporting period now spent	(1,794)	(1,612)
Unexpended and held as restricted assets (contributions)	<u>4,246</u>	<u>5,116</u>

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	21,242	19,873
Employee leave entitlements (ELE)	2,843	2,300
Superannuation	2,289	2,207
Workers' compensation insurance	636	747
Fringe benefit tax (FBT)	50	61
Training costs (other than salaries and wages)	199	164
Other	47	40
Total employee costs	27,306	25,392
Less: capitalised costs	(900)	(567)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>26,406</u>	<u>24,825</u>
Number of 'full-time equivalent' employees (FTE) at year end	292	263

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

(b) Borrowing costs

Interest bearing liability costs

Interest on loans	124	176
Interest on advances	31	45
Other debts	1	–
Total interest bearing liability costs expensed	156	221
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>156</u>	<u>221</u>

Accounting policy for borrowing costs

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. Other borrowing costs are expensed.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	12,237	11,512
Contractor and consultancy costs	5,952	6,294
Auditors remuneration ⁽²⁾	66	67
Legal expenses:		
– Legal expenses: planning and development	420	113
– Legal expenses: debt recovery	–	67
– Legal expenses: other	95	30
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	11	76
TOTAL MATERIALS AND CONTRACTS	18,781	18,159
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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.		
1. Operating lease payments are attributable to:		
Other	11	76
	11	76
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	65	65
Remuneration for audit and other assurance services	65	65
Total Auditor-General remuneration	65	65
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	1	2
Remuneration for audit and other assurance services	1	2
Total remuneration of non NSW Auditor-General audit firms	1	2
Total Auditor remuneration	66	67

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,257	1,247
Office equipment		235	175
Furniture and fittings		91	75
Land improvements (depreciable)		24	121
Infrastructure:			
– Buildings – non-specialised		368	390
– Buildings – specialised		1,565	1,482
– Other structures		102	231
– Roads		2,354	1,909
– Bridges		154	318
– Footpaths		281	234
– Stormwater drainage		301	288
– Swimming pools		8	–
– Other open space/recreational assets		287	–
Other assets:			
– Library books		73	73
– Other		16	13
Total gross depreciation and amortisation costs		7,116	6,556
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /			
REVALUATION DECREMENT COSTS EXPENSED		7,116	6,556

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period 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.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Bad and doubtful debts	–	2
Contributions/levies to other levels of government		
– Crown reserve levy	283	253
– Emergency services levy (includes FRNSW, SES, and RFS levies)	257	255
Councillor expenses – mayoral fee	42	24
Councillor expenses – councillors' fees	170	99
Councillors' expenses (incl. mayor) – other (excluding fees above)	76	59
Donations, contributions and assistance to other organisations (Section 356)	250	210
Election expenses	–	178
Electricity and heating	817	685
Holiday parks promotion/membership	99	107
Insurance	435	441
Kiama tourism	–	160
Street lighting	351	349
Subscriptions and publications	38	32
Telephone and communications	292	278
<u>TOTAL OTHER EXPENSES</u>	<u>3,110</u>	<u>3,132</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		989	–
Less: carrying amount of property assets sold/written off		(755)	–
Net gain/(loss) on disposal		234	–
Plant and equipment	10		
Proceeds from disposal – plant and equipment		626	765
Less: carrying amount of plant and equipment assets sold/written off		(560)	(701)
Net gain/(loss) on disposal		66	64
Infrastructure	10		
Proceeds from disposal – infrastructure		–	2
Less: carrying amount of infrastructure assets sold/written off		(3,504)	(454)
Net gain/(loss) on disposal		(3,504)	(452)
Real estate assets held for sale	8		
Less: carrying amount of real estate assets sold/written off		–	60
Net gain/(loss) on disposal		–	60
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		37,278	35,995
Less: carrying amount of financial assets sold/redeemed/matured		(37,278)	(35,995)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,204)	(328)

Accounting policy for disposal of assets

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	10,034	4,522
Cash-equivalent assets		
– Deposits at call	83	582
Total cash and cash equivalents	10,117	5,104

Accounting policy for cash and cash equivalents

For Statement of Cash Flow 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 Statement of Financial Position.

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	23,000	–	34,278	–
Total investments	23,000	–	34,278	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	33,117	–	39,382	–
Held to maturity investments				
Long term deposits	23,000	–	34,278	–
Total	23,000	–	34,278	–

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments (continued)

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Note 6(c). Restricted cash, cash equivalents and investments – details

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	33,117	–	39,382	–
attributable to:				
External restrictions (refer below)	7,545	–	7,759	–
Internal restrictions (refer below)	24,999	–	31,482	–
Unrestricted	573	–	141	–
	33,117	–	39,382	–

\$ '000	2018		2017	
---------	------	--	------	--

Details of restrictions

External restrictions – other

Developer contributions – general	4,245	5,114
Specific purpose unexpended grants	486	299
Domestic waste management	2,814	2,346
External restrictions – other	7,545	7,759
Total external restrictions	7,545	7,759

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(c). Restricted cash, cash equivalents and investments – details (continued)

\$ '000	2018	2017
Internal restrictions		
Employees leave entitlement	2,400	2,400
Carry over works	3,025	2,399
Blue Haven ILU	151	5,732
Blue Haven care – residential	1,017	5,834
CACP	263	111
Community bus	365	264
Computer	600	880
Contingencies	500	780
Council ELEctions	100	55
Fleet replacement	100	100
Holiday parks	4,679	1,779
Land development	3,823	2,914
Organisational development	200	200
Pavilion	113	210
Plant replacement	2,160	2,006
Property insurance	120	120
Regional carer respite centre	1,216	1,380
S7.11 recoupments	2,321	2,183
Waste and sustainability	403	403
Waste business unit	740	1,082
Arts precinct	59	85
Future project development	70	70
Energy efficiency	315	315
Leisure centre renewal	180	180
Risk Improvement Incentive	79	–
Total internal restrictions	24,999	31,482
TOTAL RESTRICTIONS	32,544	39,241

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	214	127	185	91
Interest and extra charges	16	9	2	56
User charges and fees	804	–	643	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	347	–	364	–
– Other income accruals	100	–	54	–
Government grants and subsidies	90	–	56	–
Loans to sporting clubs	–	–	4	–
Net GST receivable	365	–	213	–
Other – advances to public	–	353	–	404
Other – holiday park charges	80	–	387	–
Employee deductions and on costs	8	–	67	–
Other debtors	79	–	89	–
Total	2,142	489	2,103	551
Less: provision for impairment				
Rates and annual charges	(35)	–	(35)	–
User charges and fees	(45)	–	(45)	–
Total provision for impairment – receivables	(80)	–	(80)	–
TOTAL NET RECEIVABLES	2,062	489	2,023	551
Externally restricted receivables				
Domestic waste management	–	–	139	–
Total external restrictions	–	–	139	–
Unrestricted receivables	2,062	489	1,884	551
TOTAL NET RECEIVABLES	2,062	489	2,023	551
Movement in provision for impairment of receivables			2018	2017
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 year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	171	–	172	–
Trading stock	21	–	71	–
Total inventories at cost	192	–	243	–
TOTAL INVENTORIES	192	–	243	–
(b) Other assets				
Prepayments	–	–	5	–
TOTAL OTHER ASSETS	–	–	5	–
Externally restricted assets				
There are no restrictions applicable to the above assets.				
(i) Other disclosures				
Movements:				
Real estate assets at beginning of the year	–	–	–	–
– Purchases and other costs	–	–	(3,810)	–
– Transfers in from (out to) Note 10	–	–	3,750	–
– WDV of sales (expense)	5	–	60	–
Total real estate for resale	–	–	–	–

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any 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 year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	3,750	–	3,756	–
Total non-current assets 'held for sale'	3,750	–	3,756	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'				
	3,750	–	3,756	–

(ii) Details of assets and disposal groups

Council has a site available for sale over which an option to purchase has been granted which will expire during the 2018/19 financial year.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	3,756	3,729
Balance still unsold after 12 months:	3,756	3,729
Plus new transfers in:		
– Purchases (Land) during the year	–	27
Balancing Item – requires re-classification above!!	(6)	–
Closing balance of 'held for sale' non-current assets and operations	3,750	3,756

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Kiama Municipal Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	4,403	–	4,403	–	12,072	–	–	(3,665)	–	12,810	–	12,810
Plant and equipment	17,655	10,101	7,554	–	3,317	(560)	(1,257)	(1)	–	19,571	10,518	9,053
Office equipment	3,415	2,505	910	5	161	–	(235)	–	–	3,581	2,740	841
Furniture and fittings	2,741	2,294	447	–	148	–	(91)	–	–	2,889	2,385	504
Land:												
– Operational land	33,526	–	33,526	5	–	(755)	–	(6)	7,507	40,284	–	40,284
– Community land	59,927	–	59,927	–	63	–	–	–	–	59,990	–	59,990
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	896	–	896	59	29	–	–	–	–	984	–	984
Land improvements – depreciable	724	370	354	1	–	–	(24)	–	–	725	394	331
Infrastructure:												
– Buildings – non-specialised	16,842	7,045	9,797	288	–	–	(368)	2	1,982	17,574	5,873	11,701
– Buildings – specialised	91,560	40,341	51,219	1,642	325	–	(1,565)	4,517	(8,006)	96,965	48,833	48,132
– Other structures	11,551	5,219	6,332	4	50	–	(102)	1	–	11,617	5,332	6,285
– Roads	144,417	52,809	91,608	1,340	440	(3,188)	(2,354)	221	–	143,166	55,099	88,067
– Bridges	16,094	6,201	9,893	248	–	–	(154)	(1,231)	–	15,218	6,341	8,877
– Footpaths	13,193	4,501	8,692	105	286	–	(281)	22	–	13,609	4,785	8,824
– Bulk earthworks (non-depreciable)	23,407	–	23,407	10	387	(317)	–	–	–	23,487	–	23,487
– Stormwater drainage	37,031	9,293	27,738	19	164	–	(301)	139	–	37,349	9,590	27,759
– Swimming pools	395	251	144	–	66	–	(8)	–	–	461	259	202
– Other open space/recreational assets	12,506	4,247	8,259	123	499	–	(287)	1	–	13,129	4,534	8,595
Other assets:												
– Library books	1,825	1,371	454	–	93	–	(73)	–	–	1,918	1,444	474
– Other	120	46	74	–	–	–	(16)	–	–	120	63	57
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	492,256	146,594	345,662	3,849	18,100	(4,820)	(7,116)	–	1,483	515,475	158,190	357,285

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 25
Computer equipment	4		
Vehicles	5 to 8		
Heavy plant/road making equipment	5 to 8		
Other plant and equipment	5 to 15		
Buildings		Stormwater assets	
Buildings: masonry	50 to 100	Drains	120
Buildings: other	20 to 40	Culverts	100
		Flood control structures	20 to 120
Transportation assets		Other infrastructure assets	
Sealed roads: surface (spray)	12	Bulk earthworks	Infinite
Sealed roads: surface (AC)	25	Swimming pools	50 to 100
Sealed roads: structure	80 to 100	Other open space/recreational assets	15 to 95
Unsealed roads	20	Other infrastructure	15 to 95
Bridge: concrete	100		
Bridge: other	55		

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

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.

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

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 to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	3,600	2,656	944	3,028	2,852	176
Land						
– Operational land	425	–	425	140	–	140
Total DWM	4,025	2,656	1,369	3,168	2,852	316
TOTAL RESTRICTED IPP&E	4,025	2,656	1,369	3,168	2,852	316

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>81,269</u>	<u>80,053</u>
Reconciliation of annual movement:		
Opening balance	80,053	78,075
– Capitalised expenditure – this year	–	273
– Net gain/(loss) from fair value adjustments	1,216	1,705
CLOSING BALANCE – INVESTMENT PROPERTY	<u>81,269</u>	<u>80,053</u>

(b) Valuation basis

The basis of valuation of investment property 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 2018 revaluations were based on independent assessments made by:
(name and qualifications here).

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

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	81	82
Later than 1 year but less than 5 years	198	58
Total minimum lease payments receivable	<u>279</u>	<u>140</u>

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property (continued)

\$ '000	2018	2017
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	37	79
Direct operating expenses on investment property:		
– that generated rental income	(98)	(21)
– that did not generate rental income	(838)	(872)
Net revenue contribution from investment property	(899)	(814)
plus:		
Fair value movement for year	1,216	1,705
Total income attributable to investment property	317	891

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Note 12. Intangible assets

Intangible assets represent identifiable non-monetary assets 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
Movements for the year		
– Revaluation	2,950	–
Closing values:		
Gross book value (30/6)	5,350	2,400
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	5,350	2,400

¹ The net book value of intangible assets represent:

– Bed licences	5,350	2,400
	5,350	2,400

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Intangible assets (continued)

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 2018 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.

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	4,883	–	3,142	–
– Other expenditure accruals	44	–	352	–
Residential aged care accommodation bonds	7,546	–	7,149	–
Retirement village loan licence agreement	57,251	–	54,898	–
Security bonds, deposits and retentions	2,111	–	2,193	–
Return of Funding	773	–	–	–
Retirement village care packages	227	–	185	–
Interest on loans	23	–	63	–
ELE oncosts	174	–	224	–
Total payables	73,032	–	68,206	–
Income received in advance				
Payments received in advance	996	–	723	–
Total income received in advance	996	–	723	–
Borrowings				
Loans – secured ¹	551	2,041	445	2,511
Government advances	341	417	209	625
Total borrowings	892	2,458	654	3,136
TOTAL PAYABLES AND BORROWINGS	74,920	2,458	69,583	3,136

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

¹: Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	64,797	62,047
	<u>64,797</u>	<u>62,047</u>

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,956	(364)	–	–	–	2,592
Government advances	834	(76)	–	–	–	758
TOTAL	3,790	(440)	–	–	–	3,350

\$ '000	2018	2017
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(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	175	200
Total financing arrangements	2,175	2,200

Drawn facilities as at balance date:

– Credit cards/purchase cards	57	155
Total drawn financing arrangements	57	155

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	118	45
Total undrawn financing arrangements	2,118	2,045

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,840	–	1,719	–
Sick leave	640	–	567	–
Long service leave	4,154	128	4,055	125
ELE on-costs	294	–	313	–
<u>TOTAL PROVISIONS</u>	<u>6,928</u>	<u>128</u>	<u>6,654</u>	<u>125</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	<u>4,824</u>	<u>4,478</u>
	<u>4,824</u>	<u>4,478</u>

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
At beginning of year	1,719	567	4,180	313	6,779
Additional provisions	1,559	125	609	(19)	2,274
Amounts used (payments)	(1,482)	(72)	(570)	–	(2,124)
Remeasurement effects	44	20	63	–	127
Total ELE provisions at end of year	1,840	640	4,282	294	7,056

2017	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
At beginning of year	1,677	686	4,255	276	6,894
Additional provisions	1,293	28	437	37	1,795
Amounts used (payments)	(1,290)	(122)	(576)	–	(1,988)
Remeasurement effects	39	(25)	64	–	78
Total ELE provisions at end of year	1,719	567	4,180	313	6,779

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Available for sale financial investments revaluation reserve

The available for sale financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Council has non-current assets for which a sale is highly probable and which are treated as Assets Held for Sale, in accordance with AASB 5.

Council also has non-current assets held for long term rental yield classified as investment properties. In prior years a number of these assets were recorded twice in the Financial Statements. Land and Buildings with a written down value of \$3.363million was held within Property Plant and Equipment along with being held as Assets Held for Sale. Land and Buildings with a written down value of \$11.457million was held within Property Plant and Equipment along with being held as Investment Properties.

The errors identified below have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to Revaluation Reserves at that date. Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

During the 2017/18 financial year Council discovered a total of \$3.357million of existing infrastructure assets, that had not previously been recognised within the Financial Statements. In accordance with AASB 108 these discoveries are treated as a prior period error.

The impact on depreciation expense in prior years has been assessed as immaterial by council and has not been adjusted.

Changes to the opening Statement of Financial Position at 30 June 2017

Statement of Financial Position	Restated Balance 1 July, 2016	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Infrastructure: - Buildings Specialised	51,746	52,803	(1,584)	51,219
Land: - Operational Land	44,061	46,834	(13,308)	33,526
Infrastructure: - Stormwater Drainage	25,279	27,555	183	27,738
Infrastructure: - Footpaths	8,189	8,574	59	8,633
Infrastructure: - Roads	81,897	88,493	3,115	91,608
Total Assets	211,172	224,259	(11,535)	212,724
Total Liabilities		-	-	-
Revaluation Reserves		(196,862)	11,535	(185,327)
Total equity		(196,862)	11,535	(185,327)

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	10,117	5,104
Balance as per the Statement of Cash Flows		10,117	5,104
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		138	20,732
Adjust for non-cash items:			
Depreciation and amortisation		7,116	6,556
Net losses/(gains) on disposal of assets		3,204	328
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(25)	–
– investment property		(1,216)	(1,705)
Share of net (profits) or losses of associates/joint ventures		(68)	(50)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		23	580
Decrease/(increase) in inventories		51	(16)
Decrease/(increase) in other assets		5	53
Increase/(decrease) in payables		1,741	227
Increase/(decrease) in other accrued expenses payable		(308)	160
Increase/(decrease) in other liabilities		3,666	3,463
Increase/(decrease) in employee leave entitlements		277	(115)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,604	30,213

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	68	50	227	157
Total	68	50	227	157

(a) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Metro Pool	Joint venture	Net equity	83	28
United Independent Pool	Joint venture	Net equity	143	129
Total carrying amounts – material joint ventures			226	157

(b) Details

Name of entity	Principal activity	Place of business
Metro Pool	Public Liability & Prof Indemnity	Penrith
United Independent Pool	Property and vehicle etc.	Penrith

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Metro Pool	0.6%	0.2%	0.6%	0.2%	11.1%	14.3%
United Independent Pool	1.7%	2.0%	1.7%	2.0%	6.3%	5.9%

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

(d) Summarised financial information for joint ventures

	Metro Pool		United Independent Pool	
	2018	2017	2018	2017
Statement of financial position				
Current assets				
Cash and cash equivalents	1,220	28	1,158	506
Other current assets	6,909	5,738	5,759	6,239
Non-current assets	16,220	18,168	5,989	5,889
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	1,714	1,443	2,690	2,891
Other current liabilities	101	150	299	423
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	8,985	10,730	1,148	2,830
Net assets	13,549	11,611	8,769	6,490
Reconciliation of the carrying amount				
Opening net assets (1 July)	11,611	9,422	6,492	7,288
Profit/(loss) for the period	1,938	2,189	2,277	(796)
Closing net assets	13,549	11,611	8,769	6,492
Council's share of net assets (%)	0.6%	0.2%	1.7%	2.0%
Council's share of net assets (\$)	83	27	149	130
Statement of comprehensive income				
Income	2,115	2,820	9,254	8,302
Interest income	1,077	1,049	419	585
Other expenses	(1,254)	(1,681)	(7,694)	(9,682)
Profit/(loss) from continuing operations	1,938	2,188	1,979	(795)
Total comprehensive income	1,938	2,188	1,979	(795)
Share of income – Council (%)	2.8%	2.7%	0.7%	1.2%
Profit/(loss) – Council (\$)	54	60	14	(10)
Total comprehensive income – Council (\$)	54	60	14	(10)
Summarised Statement of cash flows				
Cash flows from operating activities	49	862	903	(1,115)
Cash flows from investing activities	(5)	(1,514)	(250)	(1)
Net increase (decrease) in cash and cash equivalents	44	(652)	653	(1,116)

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(b) 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.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	–	160,000
Income received by Council relating to the Structured Entity		
Rental Subsidy	–	63,079
	2018	2017
Maximum exposure to loss from Council's interest in the Structured Entity	–	160,000
Difference – net asset/(net exposure) relating to the Structured Entity:	–	(160,000)

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

(b) Unconsolidated structured entities (continued)

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.

Illawarra Pilot Joint Organisation (IPJO)

The Illawarra Pilot Joint Organisation was established to provide a new way for local councils and the NSW government to work together to deliver things that matter the most to regional communities.

The objectives and functions of the IPJO are:

- a) Regional Strategic Planning
- b) Inter-governmental collaboration
- c) Regional leadership and advocacy
- d) Creating or enhancing regional strategic capacity
- e) Regional service delivery

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.

	2018	2017
Losses (or expenses) incurred by Council relating to the Structured Entity	52,531	51,938
Income received by Council relating to the Structured Entity		
Administration fee	25,953	25,567
Contribution towards insurance	6,710	6,051
	2018	2017
Maximum exposure to loss from Council's interest in the Structured Entity	52,531	51,938
Difference – net asset/(net exposure) relating to the Structured Entity:	(52,531)	(51,938)

Current intention to provide financial support

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	58,629	–
Investment property		
– Buildings	25,666	–
Total commitments	84,295	–
These expenditures are payable as follows:		
Within the next year	79,304	–
Later than one year and not later than 5 years	4,991	–
Total payable	84,295	–
Sources for funding of capital commitments:		
Unrestricted general funds	912	–
Future grants and contributions	13,797	–
Unexpended grants	3,920	–
Externally restricted reserves	2,940	–
Internally restricted reserves	2,726	–
New loans (to be raised)	60,000	–
Total sources of funding	84,295	–
Details of capital commitments		
The Council has entered into construction contract for the Aged Care Facility on the old hospital site. This project is due for completion September 2019. For further details of the loan with NSW Treasury Corporation please refer to Note 24		
(b) 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	6	32
Later than one year and not later than 5 years	16	–
Total non-cancellable operating lease commitments	22	32
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.		
(c) Investment property commitments		
Non-capital expenditure on investment property committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – repairs and maintenance	252	249
Total commitments	252	249
These expenditures are payable as follows:		
Within the next year	252	249
Total payable	252	249

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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 Council's 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.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(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 19 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 funding is anticipated. Refer Note 19 for details.

(v) Other guarantees

Council has provided no other guarantees other than those listed above.

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) 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 (and 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 and including 30/6/08.

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's 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 year ended 30 June 2018

Note 20. 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	10,117	5,104	10,117	2,103
Investments				
– 'Held to maturity'	23,000	34,278	23,000	37,859
Receivables	2,551	2,574	–	2,574
Total financial assets	35,668	41,956	33,117	42,536
Financial liabilities				
Payables	73,032	68,206	73,032	68,206
Loans/advances	3,350	3,790	3,350	3,790
Total financial liabilities	76,382	71,996	76,382	71,996

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

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
2018				
Possible impact of a 10% movement in market values	2,600	2,600	(2,600)	(2,600)
Possible impact of a 1% movement in interest rates	260	260	(260)	(260)
2017				
Possible impact of a 10% movement in market values	3,527	3,527	(3,527)	(3,527)
Possible impact of a 1% movement in interest rates	352	352	(352)	(352)

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and 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 and 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	63%	85%	67%	75%
Overdue	37%	15%	33%	25%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	214	185
> 5 years overdue	127	91
	<u>341</u>	<u>276</u>

Other receivables

Current	1,799	1,558
31 – 60 days overdue	81	102
61 – 90 days overdue	44	159
> 91 days overdue	366	559
	<u>2,290</u>	<u>2,378</u>

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and 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 and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,111	70,921	-	-	73,032	73,032
Loans and advances	5.60%	-	679	2,671	-	3,350	3,350
Total financial liabilities		2,111	71,600	2,671	-	76,382	76,382
2017							
Trade/other payables	0.00%	2,193	66,020	-	-	68,213	68,206
Loans and advances	5.60%	-	655	2,672	463	3,790	3,790
Total financial liabilities		2,193	66,675	2,672	463	72,003	71,996

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	21,140	20,883	(257)	(1%)	U
User charges and fees	16,856	19,440	2,584	15%	F
Illawarra In Home Support Budget \$2.4mil is contained within Operating grants and contributions. Blue Haven Nursing Home Client Fees excluding government contributions short \$177k. Waste Management Truck & Plant Hire \$226k. Additional Commercial Rental Income \$174k.					
Interest and investment revenue	1,734	1,015	(719)	(41%)	U
Reduction in Interest income due to less surplus funds to invest from the KACCOE construction payments and internal loan from Councils Reserves					
Other revenues	2,011	3,854	1,843	92%	F
Amortisation for Independent Living Units \$1,066mil, Insuarance Recovery \$236k, Worker's Compensation Rebate \$175k, Akuna Street option \$120k					
Operating grants and contributions	12,756	9,524	(3,232)	(25%)	U
Actuals for Illawarra In Home Support \$2.1mil is contained within User charges and fees					
Capital grants and contributions	2,932	2,911	(21)	(1%)	U
Contributed Assets of \$4.19mil due to new subdivisions for Jamberoo Chapel and Huntingdale Estates and Kiama Cedar Grove Estate					

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES (continued)					
Net gains from disposal of assets	3,807	–	(3,807)	(100%)	U
Sale of Akuna Street was budgeted but did not happen					
Fair value increment on investment property	–	1,216	1,216	0%	F
Fair Value increment of investment based on 1% indexation of prior year valuation					
Joint ventures and associates - net profits	–	68	68	0%	F
EXPENSES					
Employee benefits and on-costs	24,510	26,406	(1,896)	(8%)	U
Borrowing costs	195	156	39	20%	F
Materials and contracts	18,926	18,781	145	1%	F
Depreciation and amortisation	6,448	7,116	(668)	(10%)	U
Additional depreciation due to contributed assets of \$13mil in the prior year.					
Other expenses	3,625	3,110	515	14%	F
Reduction in expenses compared to budget occurred in a number of expenses with major one being Contributions \$190k and Crown Reserve Levy \$104k					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	10,861	14,604	3,743	34.5%	F
Cash flows from investing activities	(35,534)	(9,151)	26,383	(74.2%)	F
Cash flows from financing activities	31,685	(440)	(32,125)	(101.4%)	U

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. 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 and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'
- Discontinued operations

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 and recognised at fair values:

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Investment property				
Other	–	–	1,769	1,769
Blue Haven ILU	–	–	79,500	79,500
Total investment property	–	–	81,269	81,269

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	9,053	9,053
Office equipment		–	–	841	841
Furniture and fittings		–	–	504	504
Operational land	30/06/18	–	–	40,284	40,284
Community land		–	–	59,990	59,990
Land under roads		–	–	28	28
Land improvements – non-depreciable		–	–	984	984
Land improvements – depreciable		–	–	331	331
Buildings – non-specialised	30/06/13	–	–	11,701	11,701
Buildings – specialised	30/06/18	–	–	48,132	48,132
Other structures		–	–	6,285	6,285
Roads bridges footpaths	30/06/15	–	–	105,768	105,768
Bulk earthworks – non depreciable	30/06/15	–	–	23,487	23,487
Stormwater drainage	30/06/15	–	–	27,759	27,759
Library books		–	–	474	474
Other		–	–	57	57
Swimming Pools		–	–	202	202
Other Open Space Recreation Assets		–	–	8,595	8,595
Work in Progress		–	–	12,810	12,810
Total infrastructure, property, plant and equipment		–	–	357,285	357,285
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land		–	–	3,750	3,750
Total NCA's classified as 'held for sale'		–	–	3,750	3,750

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Investment property					
Other	30/06/17	–	–	1,305	1,305
Blue Haven ILU	30/06/17	–	–	78,748	78,748
Total investment property		–	–	80,053	80,053
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	7,554	7,554
Office equipment	30/06/17	–	–	910	910
Furniture and fittings	30/06/17	–	–	447	447
Operational land	30/06/18	–	–	33,526	33,526
Community land	30/06/17	–	–	59,927	59,927
Land under roads	30/06/17	–	–	28	28
Land improvements – non-depreciable	30/06/17	–	–	896	896
Land improvements – depreciable	30/06/17	–	–	354	354
Buildings – non-specialised	30/06/17	–	–	9,797	9,797
Buildings – specialised	30/06/18	–	–	51,219	51,219
Other structures	30/06/17	–	–	6,332	6,332
Roads bridges footpaths	30/06/17	–	–	110,193	110,193
Bulk earthworks – non depreciable	30/06/17	–	–	23,407	23,407
Stormwater drainage	30/06/17	–	–	27,738	27,738
Library books	30/06/17	–	–	454	454
Other	30/06/17	–	–	74	74
Swimming Pools	30/06/17	–	–	144	144
Other Open Space Recreation Assets	30/06/17	–	–	8,259	8,259
Work in Progress	30/06/17	–	–	4,403	4,403
Total infrastructure, property, plant and equipment		–	–	345,662	345,662
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Land	30/06/17	–	–	3,756	3,756
Total NCA's classified as 'held for sale'		–	–	3,756	3,756

(2) Transfers between level 1 and 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 year ended 30 June 2018

Note 22. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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:

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 2016 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 2018 the valuation for the remaining Investment properties was calculated by applying an index to the valuation as at 30 June 2017. The index applied was CPI at 2.50%.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

Infrastructure, property, plant and 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 2018 and was performed by Walsh & Monaghan Pty Ltd.

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 year ended 30 June 2018

Note 22. Fair value measurement (continued)

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 2018 and was performed by AssetVal Pty Ltd. 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 year ended 30 June 2018

Note 22. Fair value measurement (continued)

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

Library Books

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

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

Other

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

Non-current assets classified as 'held for sale'

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

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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
Opening balance – 1/7/16	76,782	1,293	7,076	797	85,948
Purchases (GBV)	–	–	2,426	294	2,720
Disposals (WDV)	–	–	(701)	(6)	(707)
Depreciation and impairment	–	–	(1,247)	(175)	(1,422)
FV gains – Income Statement ¹	1,965	13	–	–	1,978
Closing balance – 30/6/17	78,747	1,306	7,554	910	88,517
Purchases (GBV)	–	–	3,317	166	3,483
Disposals (WDV)	–	–	(560)	–	(560)
Depreciation and impairment	–	–	(1,257)	(235)	(1,492)
FV gains – other comprehensive income	753	13	–	–	766
Closing balance – 30/6/18	79,500	1,319	9,054	841	90,714

	Furniture & Fittings	Operational Land	Community Land	Land Under Roads	Total
Opening balance – 1/7/16	355	30,753	59,927	28	91,063
Purchases (GBV)	167	2,832	–	–	2,999
Disposals (WDV)	–	(59)	–	–	(59)
Depreciation and impairment	(75)	–	–	–	(75)
Closing balance – 30/6/17	447	33,526	59,927	28	93,928
Purchases (GBV)	148	5	63	–	216
Disposals (WDV)	–	(755)	–	–	(755)
Depreciation and impairment	(91)	–	–	–	(91)
FV gains – other comprehensive income	–	7,507	–	–	7,507
Closing balance – 30/6/18	504	40,283	59,990	28	100,805

Kiama Municipal Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. 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 imprv'mnts non- depreciable	Land imprv'mnts depreciable	Buildings Non Specialised	Buildings Specialised	Total
Opening balance – 1/7/16	848	397	9,923	51,771	62,939
Purchases (GBV)	48	78	264	950	1,340
Disposals (WDV)	–	–	–	(20)	(20)
Depreciation and impairment	–	(121)	(390)	(1,482)	(1,993)
Closing balance – 30/6/17	896	354	9,797	51,219	62,266
Transfers from/(to) another asset class			2	4,408	4,410
Purchases (GBV)	88	–	288	1,967	2,343
Disposals (WDV)	–	1	–	–	1
Depreciation and impairment	–	(24)	(368)	(1,565)	(1,957)
FV gains – other comprehensive income	–	–	1,982	(8,006)	(6,024)
Closing balance – 30/6/18	984	331	11,701	48,023	61,039

	Other Structures	Roads	Bulk Earthworks	Stormwater Drainage	Total
Opening balance – 1/7/16	6,197	97,088	22,711	25,274	151,270
Purchases (GBV)	366	12,738	696	2,592	16,392
Disposals (WDV)	–	(346)	–	(23)	(369)
Depreciation and impairment	(231)	(2,461)	–	(288)	(2,980)
Closing balance – 30/6/17	6,332	107,019	23,407	27,555	164,313
Transfers from/(to) another asset class	1	(34)	–	139	106
Purchases (GBV)	54	2,419	397	183	3,053
Depreciation and impairment	(102)	(2,789)	–	(301)	(3,192)
Closing balance – 30/6/18	6,285	106,615	23,804	27,576	164,280

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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
Opening balance – 1/7/16	437	9,511	–	3,729	13,677
Purchases (GBV)	90	–	4,403	–	4,493
Depreciation and impairment	(73)	(13)	–	–	(86)
Other movement (details here)	–	(1,021)	–	–	(1,021)
Closing balance – 30/6/17	454	8,477	4,403	3,729	17,063
Transfers from/(to) another asset class	–	–	(4,403)	–	(4,403)
Purchases (GBV)	93	688	12,810	–	13,591
Depreciation and impairment	(73)	(311)	–	–	(384)
Closing balance – 30/6/18	474	8,854	12,810	3,729	25,867

b. 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 as being utilised for their highest and best use.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	1,675	1,504
Post-employment benefits	103	142
Termination benefits	233	265
Total	2,011	1,911

Note 24. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure in accordance with AASB 110:

Council has entered into a loan agreement with NSW Treasury Corporation for a loan of \$60million. This loan will be used as part of finance for the construction of the new aged care facility currently under construction.

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	200	46	–	1	(196)	–	51	–
Parking	243	–	–	6	–	–	249	–
Open space	(25)	–	–	(1)	–	–	(26)	–
Community facilities	891	371	–	24	(228)	–	1,058	–
Other – Council chambers	3,235	117	–	50	(1,231)	–	2,171	–
Other	79	13	–	2	–	–	94	–
S7.11 contributions – under a plan	4,623	547	–	82	(1,655)	–	3,597	–
S7.12 levies – under a plan	491	280	–	15	(138)	–	648	–
Total S7.11 and S7.12 revenue under plans	5,114	827	–	97	(1,793)	–	4,245	–
Total contributions	5,114	827	–	97	(1,793)	–	4,245	–

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	–	34	–	1	–	–	35	–
Community facilities	612	315	–	17	(222)	–	722	–
Other – Council chambers	3,235	117	–	50	(1,231)	–	2,171	–
Other	79	11	–	2	–	–	92	–
Total	3,926	477	–	70	(1,453)	–	3,020	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	–	6	–	–	–	–	6	–
Community facilities	81	46	–	3	–	–	130	–
Other	–	2	–	–	–	–	2	–
Total	81	54	–	3	–	–	138	–

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	–	6	–	–	–	–	6	–
Community facilities	–	10	–	–	(6)	–	4	–
Total	–	16	–	–	(6)	–	10	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	172	–	–	4	–	–	176	–
Total	172	–	–	4	–	–	176	–

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	180	–	–	–	(196)	–	(16)	–
Open space	(26)	–	–	(1)	–	–	(27)	–
Community facilities	191	–	–	4	–	–	195	–
Total	345	–	–	3	(196)	–	152	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	20	–	–	–	–	–	20	–
Open space	1	–	–	–	–	–	1	–
Community facilities	7	–	–	–	–	–	7	–
Total	28	–	–	–	–	–	28	–

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	71	–	–	2	–	–	73	–
Total	71	–	–	2	–	–	73	–

S7.12 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	112	83	–	2	(131)	–	66	–
Open space	379	197	–	13	(7)	–	582	–
Total	491	280	–	15	(138)	–	648	–

Kiama Municipal Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(878)</u>	-1.61%	4.43%	2.61%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	54,691				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>45,167</u>	78.41%	60.43%	59.84%	> 60.00%
Total continuing operating revenue ⁽¹⁾	57,602				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>31,576</u>	2.58x	3.86x	4.38x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	12,227				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>6,394</u>	10.73x	8.68x	4.85x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	596				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>331</u>	1.55%	1.47%	2.16%	10%
Rates, annual and extra charges collectible	21,295				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>33,117</u>	9.09 mths	10.7 mths	8.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	3,645				

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 and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 13 and 14.

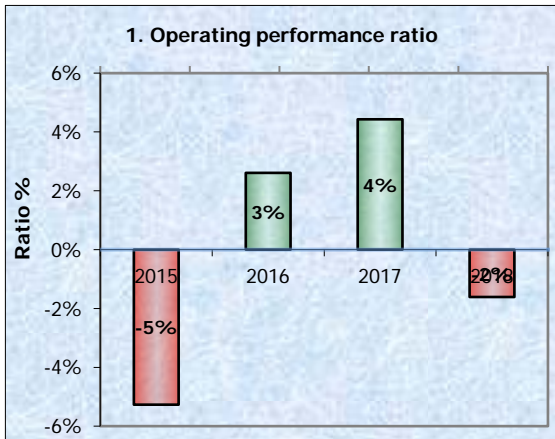
⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26(b). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

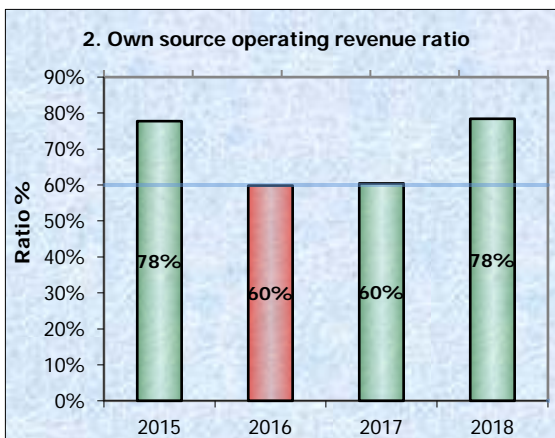
Commentary on 2017/18 result

2017/18 ratio -1.61%

The reduction in this ratio is due to a dip in performance from Blue Haven, along with the return of funding for the Carer Respite Services

Benchmark: — Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves 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 and contributions.

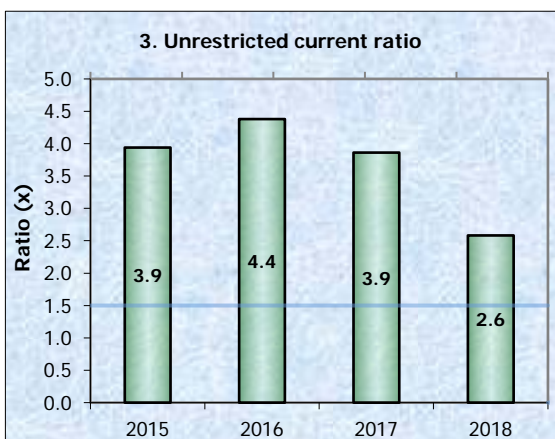
Commentary on 2017/18 result

2017/18 ratio 78.41%

Increase in ratio due to a reduction in Grants and Contributions

Benchmark: — Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves 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 2017/18 result

2017/18 ratio 2.58x

The reduction of this ratio is due to the reduction in cash and investments due to timing of construction payments for the aged care facility

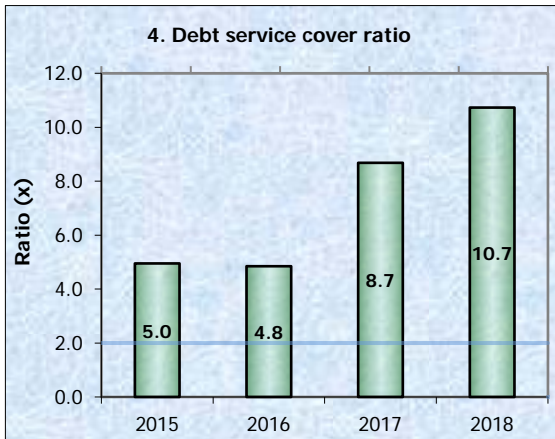
Benchmark: — Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
Ratio is outside benchmark

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26(b). Statement of performance measures – consolidated results (graphs)



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 2017/18 result

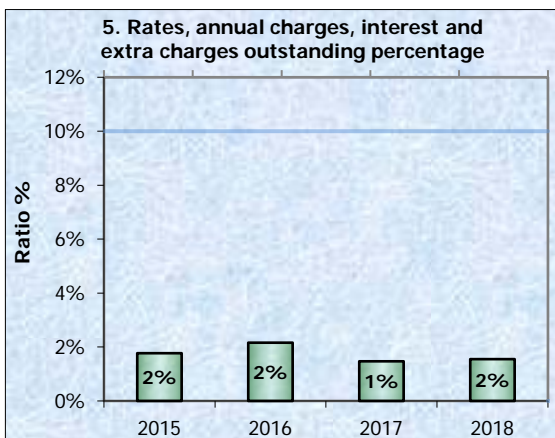
2017/18 ratio 10.73x

During the year, a number of loans matured and for the remaining loans costs continue to decrease as they approach maturity. The reduction in servicing costs is the main factor for the substantial improvement in this ratio.

Benchmark: ——— Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and 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 2017/18 result

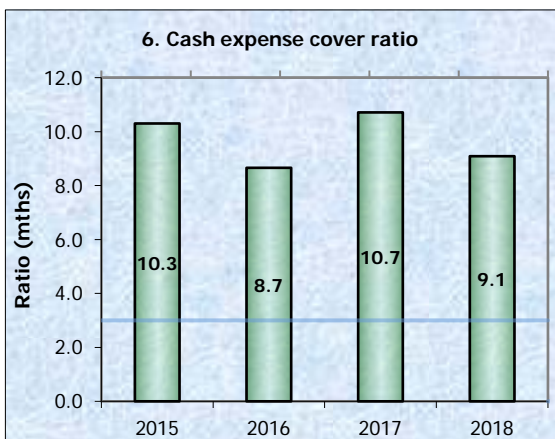
2017/18 ratio 1.55%

The continuous monitoring of outstanding rates linked to a positive approach to debt recovery continues to the achievement of strong result in this ratio.

Benchmark: ——— Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio is within Benchmark
 Ratio is outside Benchmark



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 2017/18 result

2017/18 ratio 9.09 mths

The reduction of this ratio is due to the reduction in cash and investments due to timing of construction payments for the aged care facility

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 27. Segment reporting

\$ '000	2018	2017
Residential Aged Care: Blue Haven Nursing Home & Hostel - RAC ID 0094		
Income Statement		
Income from Continuing Operations		
Resident Fees	1,818	1,959
Other Revenues	223	201
Grants & Contributions provided for Operating Purposes	3,039	3,312
Total Income from Continuing Operations	5,080	5,472
Expenses from Continuing Operations		
Employee Costs	4,273	3,762
Care Costs	481	349
Catering Costs	237	234
Cleaning / Laundry Costs	133	93
Repairs & Maintenance Costs	205	145
Utilities Costs	92	84
Depreciation	256	251
Other Expenses	605	319
Total Expenses from Continuing Operations	6,282	5,237
Operating Result from Continuing Operations	(1,202)	235
Net Operating Result for the Year	(1,202)	235
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(1,202)	235

Kiama Municipal Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 27. Segment reporting (continued)

\$ '000	2018	2017
Residential Aged Care: Blue Haven Nursing Home & Hostel - RAC ID 0094		
Balance Sheet		
ASSETS		
Current Assets		
Cash & Cash Equivalents	9,326	13,822
Total Current Assets	9,326	13,822
Non-Current Assets		
Infrastructure, Property, Plant & Equipment	10,879	15,213
Intangible Assets	5,350	2,400
Total Non-Current Assets	16,229	17,613
TOTAL ASSETS	25,555	31,435
LIABILITIES		
Current Liabilities		
Payables	1,000	1,000
Provisions	590	529
Total Current Liabilities	1,590	1,529
Non-Current Liabilities		
Payables	6,538	6,149
Total Non-Current Liabilities	6,538	6,149
TOTAL LIABILITIES	8,128	7,678
Net Assets	17,427	23,757
EQUITY		
Retained Earnings	6,595	11,796
Revaluation Reserves	10,832	11,961
Total Equity	17,427	23,757

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 28. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	20,883	19,838	18,808	18,354	17,237
User charges revenue	19,440	18,678	17,376	15,982	15,304
Interest and investment revenue (losses)	1,015	1,844	1,677	1,215	1,719
Grants income – operating and capital	10,006	11,588	11,823	9,128	10,483
Total income from continuing operations	58,911	73,953	68,513	51,906	51,559
Sale proceeds from IPP&E	1,615	767	1,034	912	3,511
New loan borrowings and advances	–	–	–	–	2,025
Outflows:					
Employee benefits and on-cost expenses	26,406	24,825	24,813	23,001	22,248
Borrowing costs	156	221	1	367	393
Materials and contracts expenses	18,781	18,159	17,172	16,509	16,435
Total expenses from continuing operations	58,773	53,221	53,177	51,924	55,661
Total cash purchases of IPP&E	25,019	26,955	23,434	9,441	7,976
Total loan repayments (incl. finance leases)	440	842	1,694	961	980
Operating surplus/(deficit) (excl. capital income)	(2,773)	3,877	1,002	(1,576)	(5,885)
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	39,121	45,409	43,028	45,620	44,860
Current liabilities	81,848	76,237	72,688	73,654	70,596
Net current assets	(42,727)	(30,828)	(29,660)	(28,034)	(25,736)
Available working capital (Unrestricted net current assets)	(67,451)	(62,900)	(58,180)	(53,368)	(51,023)
Cash and investments – unrestricted	573	141	283	4,869	5,654
Cash and investments – internal restrictions	24,999	31,482	29,441	27,079	26,061
Cash and investments – total	33,117	39,382	36,412	38,406	37,850
Total borrowings outstanding (Loans, advances and finance leases)	3,350	3,790	4,632	6,326	7,287
Total value of IPP&E (excl. land and earthwork)	390,702	374,472	350,919	330,513	313,499
Total accumulated depreciation	158,190	146,594	142,594	138,403	149,227
Indicative remaining useful life (as a % of GBV)	60%	61%	59%	58%	52%

Source: published audited financial statements of Council (current year and prior year)

Kiama Municipal Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 29. Council information and 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

Kerry McMurray

RESPONSIBLE ACCOUNTING OFFICER

Robert Owens

PUBLIC OFFICER

Sue Basa

AUDITORS

Audit Office of NSW
GPO Box 12, Sydney NSW 2001

Elected members

MAYOR

Mark Honey

COUNCILLORS

Kathy Price
Matt Brown
Neil Reilly
Andrew Sloan
Warren Steel
Don Watson
Mark Way
Mark Westoff

Other information

ABN: 22 379 679 108



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

The Council of the Municipality of Kiama

To the Councillors of the The Council of the Municipality of Kiama

Opinion

I have audited the accompanying financial report of The Council of the Municipality of Kiama (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director

27 November 2018
SYDNEY

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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



Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
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 Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 16 October 2018.



Mark Honey

Mayor

16 October 2018



Andrew Sloan

Councillor

16 October 2018



Kerry McMurray

General Manager

16 October 2018



Robert Owens

Responsible Accounting Officer

16 October 2018

Kiama Municipal Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	9,073	8,147	1,715	1,941
Fees	35	32	2,870	2,690
Profit from the sale of assets	–	–	9	31
Other income	98	47	576	664
Total income from continuing operations	9,206	8,226	5,170	5,326
Expenses from continuing operations				
Employee benefits and on-costs	105	112	1,287	1,414
Borrowing costs	14	24	–	–
Materials and contracts	3,794	4,326	1,957	1,973
Depreciation, amortisation and impairment	698	651	464	301
Calculated taxation equivalents	19	19	–	–
Debt guarantee fee (if applicable)	60	60	–	–
Other expenses	958	890	26	32
Total expenses from continuing operations	5,648	6,082	3,734	3,720
Surplus (deficit) from continuing operations before capital amounts	3,558	2,144	1,436	1,606
Surplus (deficit) from continuing operations after capital amounts	3,558	2,144	1,436	1,606
Surplus (deficit) from all operations before tax	3,558	2,144	1,436	1,606
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,067)	(643)	(431)	(482)
SURPLUS (DEFICIT) AFTER TAX	2,491	1,501	1,005	1,124
Plus opening retained profits	11,909	11,471	3,328	2,474
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	19	19	–	–
– Debt guarantee fees	60	60	–	–
– Corporate taxation equivalent	1,067	643	431	482
Less:				
– Dividend paid	(1,662)	(1,785)	(1,205)	(752)
Closing retained profits	13,884	11,909	3,559	3,328
Return on capital %	19.8%	12.5%	35.0%	65.4%
Subsidy from Council	–	–	–	–

Kiama Municipal Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Holiday Parks		Waste Unit	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	2,847	1,779	740	1,082
Receivables	965	387	–	–
Total Current Assets	3,812	2,166	740	1,082
Non-current assets				
Infrastructure, property, plant and equipment	17,997	17,291	4,099	2,455
Investment property	83	83	–	–
Total non-current assets	18,080	17,374	4,099	2,455
TOTAL ASSETS	21,892	19,540	4,839	3,537
LIABILITIES				
Current liabilities				
Borrowings	267	263	–	–
Provisions	12	12	–	–
Total current liabilities	279	275	–	–
Non-current liabilities				
Provisions	632	896	–	–
Total non-current liabilities	632	896	–	–
TOTAL LIABILITIES	911	1,171	–	–
NET ASSETS	20,981	18,369	4,839	3,537
EQUITY				
Accumulated surplus	14,520	11,908	4,631	3,329
Revaluation reserves	6,461	6,461	208	208
TOTAL EQUITY	20,981	18,369	4,839	3,537

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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 year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and 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 and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for 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 and 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

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 thousand dollars.

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Kiama Municipal Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Local government rates and 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 and 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 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 when 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 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 NCP 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.

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

The Council of the Municipality of Kiama

To the Councillors of the The Council of the Municipality of Kiama

Opinion

I have audited the accompanying special purpose financial report (the financial report) of The Council of the Municipality of Kiama's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Other Business Activities.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Services

27 November 2018
SYDNEY

Cr Mark Honey
Mayor
Kiama Municipal Council
PO Box 75
KIAMA NSW 2533

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D1829387/1747

27 November 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Kiama Municipal Council**

I have audited the general purpose financial statements of the Kiama Municipal Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018	2017	Variance
	\$m	\$m	%
Rates and annual charges revenue	20.9	19.8	↑ 5.6
Grants and contributions revenue	12.4	28.6	↓ (57)
Operating result for the year	0.14	20.7	↓ (99)
Net operating result before capital amounts	(2.8)	3.9	↓ (172)

Rates and annual charges revenue (\$20.9 million) increased by \$1.1 million in 2017–18 mainly due to a six per cent increase in general and ordinary rates.

Grants and contributions revenue (\$12.4 million) decreased by \$16.2 million in

2017–2018. This was mainly caused by:

- the timing of financial assistance grants received in the past two years
- RMS contribution of \$13.6 million which was received in 2016–17.

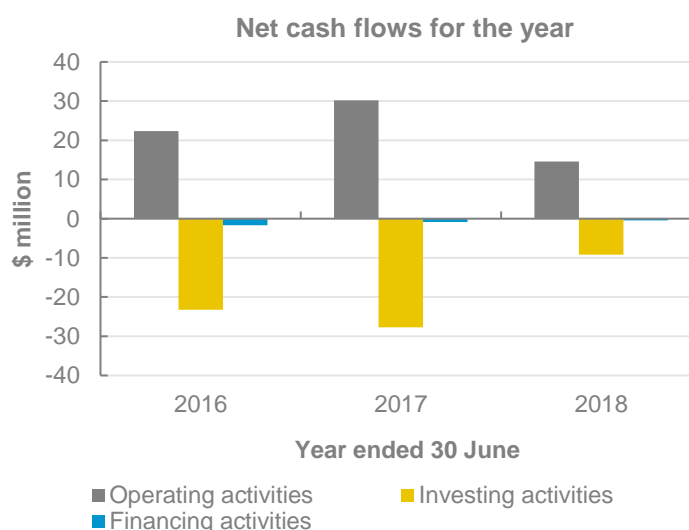
Council’s operating result of \$138,000 was \$20.6 million lower than the 2016–17 result. The movement was mainly caused by decrease in grant and contributions revenue and increase in employee benefits and on cost expense of \$1.6 million and loss on disposal of assets \$3.2 million.

STATEMENT OF CASH FLOWS

Operating cash flows were impacted by a decrease of \$16.5 million in grants and contributions receipts and increase of \$1.2 million in employee benefits and on costs.

Investing cash flows decreased by \$18.5 million mainly due to decrease in purchases of investment securities.

Financing cash flows were impacted by a decrease of \$400,00 repayments of borrowings.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	7.5	7.7	The Council’s externally restricted cash and investments decreased marginally by 2.8 per cent mainly due to:
Internal restrictions	25.0	31.5	
Unrestricted	0.6	0.1	
Cash and investments	33.1	39.3	<ul style="list-style-type: none"> • Developer contribution decreased by \$869,000 • Domestic waste management increased by \$468,000.

Council’s internally restricted cash and investments increased by 21 per cent mainly due to:

- Holiday parks increased by \$2,900,000
- Land development increased by \$909,000

Council’s unrestricted cash and investment decreased by \$0.4million and is used to meet day-to-day obligations.

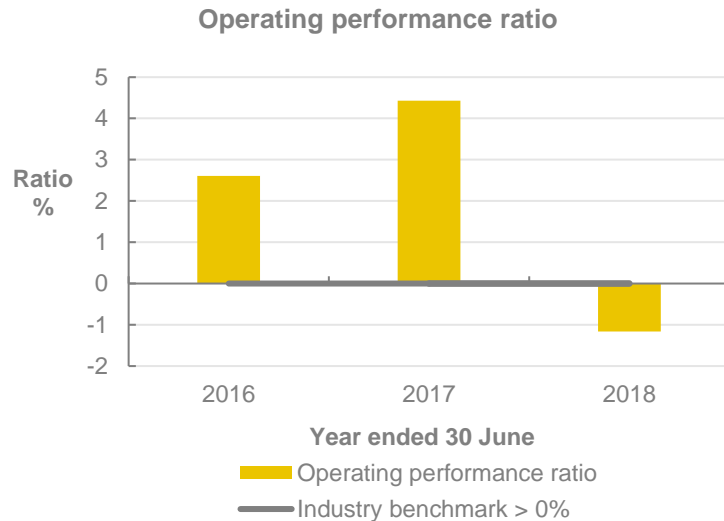
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 26 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

The Council's operating performance ratio of -1.61 per cent in 2017–18 below the industry benchmark. The ratio decreased this year due to lower operating result which is a result of lower grants and contributions revenue and increased expenses.

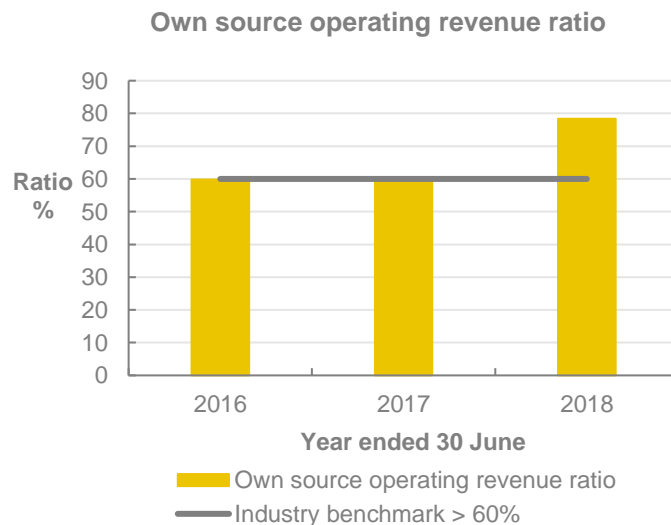
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero percent.



Own source operating revenue ratio

The Council's own source operating ratio of 78.4 percent is above the industry benchmark.

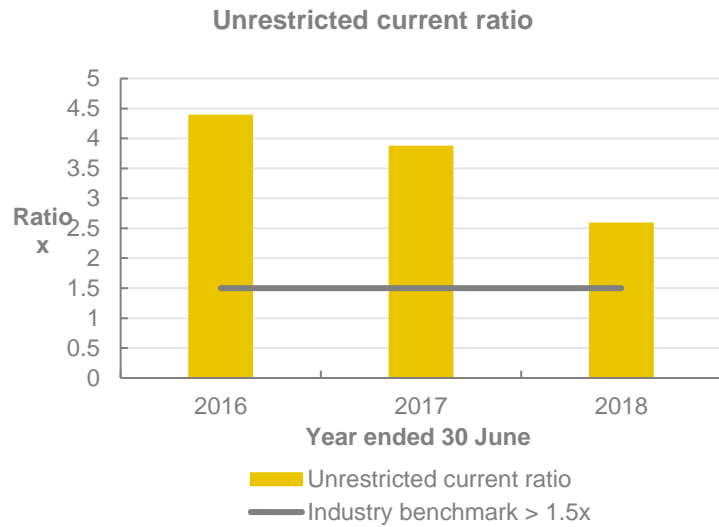
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 percent.



Unrestricted current ratio

The ratio indicates the Council has \$2.58 available to service every \$1.00 of unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the industry benchmark.

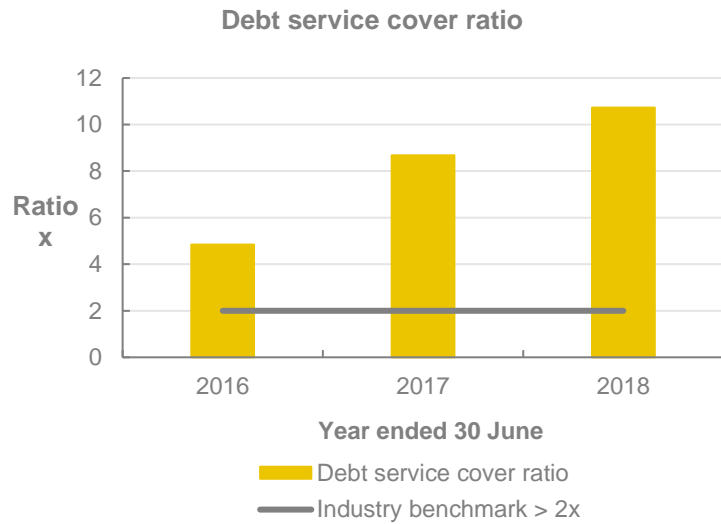
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

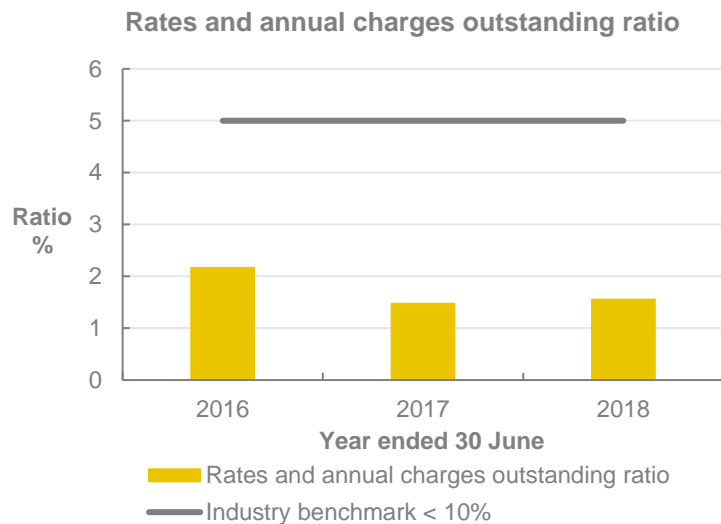
The Council's debt service cover ratio of 10.73 times continues to exceed the industry benchmark. The ratio is well above industry benchmarks because of the Council's low levels of debt.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The Council's outstanding rates and charges ratio of 1.55 per cent shows a slight increase from 2016–17 and is lower than the industry benchmark.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

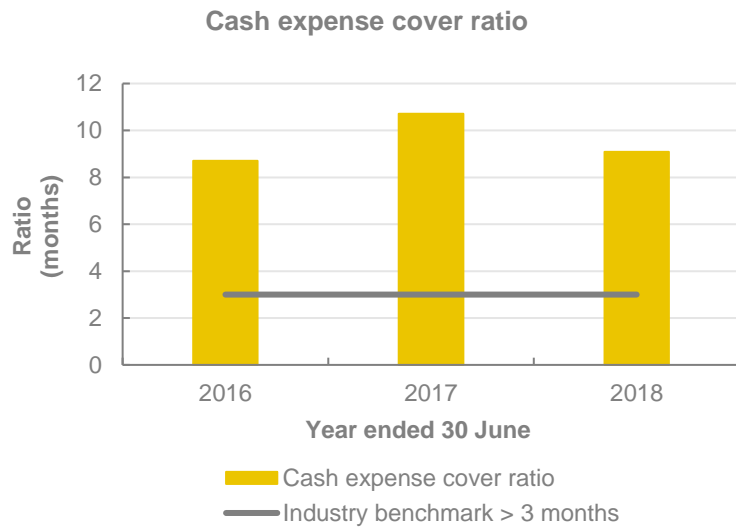


Rates and annual charges outstanding ratio

Cash expense cover ratio

The Council's cash expense cover ratio of 9.09 months continues to exceed the industry benchmark. This reflects its ability to improve balances of cash and term deposits.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 136

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating specialised assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan
Director, Financial Audit Services

cc: Kerry McMurray General Manager
Tim Hurst, Chief Executive of the Office of Local Government

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

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



Kiama Municipal Council

Special Schedules

for the year ended 30 June 2018

Contents

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Special Schedules ¹

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Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 1 – Net Cost of Services
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,477	–	–	(1,477)
Administration	13,063	1,814	–	(11,249)
Public order and safety				
Fire service levy, fire protection, emergency services	286	129	–	(157)
Beach control	329	46	–	(283)
Enforcement of local government regulations	66	–	–	(66)
Animal control	157	29	–	(128)
Other	528	378	–	(150)
Total public order and safety	1,366	582	–	(784)
Health	517	16	–	(501)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	181	–	–	(181)
Solid waste management	4,235	6,817	–	2,582
Street cleaning	985	–	–	(985)
Drainage	–	–	–	–
Stormwater management	370	–	–	(370)
Total environment	5,771	6,817	–	1,046
Community services and education				
Administration and education	658	51	–	(607)
Social protection (welfare)	208	49	–	(159)
Aged persons and disabled	12,989	13,275	–	286
Children's services	–	–	–	–
Total community services and education	13,855	13,375	–	(480)
Housing and community amenities				
Public cemeteries	89	269	–	180
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	428	107	925	604
Other community amenities	–	–	–	–
Total housing and community amenities	517	376	925	784
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Kiama Municipal Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,092	195	–	(897)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	400	–	–	(400)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	304	–	–	(304)
Swimming pools	586	957	250	621
Parks and gardens (lakes)	810	–	–	(810)
Other sport and recreation	2,405	601	–	(1,804)
Total recreation and culture	5,597	1,753	250	(3,594)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,266	995	–	(1,271)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	2,266	995	–	(1,271)
Transport and communication				
Urban roads (UR) – local	1,808	1,205	–	(603)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	422	–	–	(422)
Sealed rural roads (SRR) – regional	498	–	–	(498)
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	125	115	–	(10)
Aerodromes	–	–	–	–
Other transport and communication	–	476	5,093	5,569
Total transport and communication	2,853	1,796	5,093	4,036
Economic affairs				
Camping areas and caravan parks	5,933	9,313	–	3,380
Other economic affairs	2,341	760	–	(1,581)
Total economic affairs	8,274	10,073	–	1,799
Totals – functions	55,556	37,597	6,268	(11,691)
General purpose revenues ⁽¹⁾	–	17,987	–	17,987
Share of interests – joint ventures and associates using the equity method	–	68	–	68
NET OPERATING RESULT ⁽²⁾	55,556	55,652	6,268	6,364

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Kiama Municipal Council

Special Schedule 2 – Permissible income for general rates for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	15,619	15,040
Plus or minus adjustments ⁽²⁾	b	103	271
Notional general income	c = (a + b)	15,722	15,311
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.00%	0.00%
Or rate peg percentage	e	2.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	1.75%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	943	–
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	268
Sub-total	k = (c + g + h + i + j)	16,665	15,579
Plus (or minus) last year's carry forward total	l	0	34
Less valuation objections claimed in the previous year	m	(6)	–
Sub-total	n = (l + m)	(6)	34
Total permissible income	o = k + n	16,659	15,613
Less notional general income yield	p	16,666	15,619
Catch-up or (excess) result	q = o – p	(7)	(6)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	4	6
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(3)	0

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

The Council of the Municipality of Kiama

To the Councillors of the The Council of the Municipality of Kiama

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of the The Council of the Municipality of Kiama (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Audit

27 November 2018
SYDNEY

Kiama Municipal Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Commercial Premises	–	–	770	767	12,921	34,498	2%	19%	79%	0%	0%
	Community Services	–	–	162	167	15,427	20,069	5%	57%	39%	0%	0%
	Holiday Parks	101	101	463	362	14,471	22,094	9%	77%	13%	1%	0%
	KMC Operational	–	–	164	167	5,106	12,012	7%	40%	52%	0%	0%
	Public Toilets	–	–	89	90	2,296	3,596	28%	50%	22%	0%	0%
	Rural Fire Service	–	–	2	2	486	967	1%	51%	48%	0%	0%
	Sports Facilities	–	–	53	54	3,833	7,922	4%	49%	47%	0%	0%
	State Emergency Services	–	–	6	6	460	851	6%	74%	20%	0%	0%
	Surf Life Saving Clubs	–	–	22	22	4,833	8,049	2%	62%	36%	0%	0%
	Sub-total	101	101	1,731	1,637	59,833	110,058	5.5%	46.7%	47.4%	0.3%	0.1%
Other structures	Other structures	1,324	1,324	–	–	6,285	11,617	3%	61%	5%	0%	32%
	Sub-total	1,324	1,324	–	–	6,285	11,617	2.9%	60.7%	4.7%	0.0%	31.7%

Kiama Municipal Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Roads	Urban Roads			625	599								
	Sealed roads	902	902	–	–	51,966	91,759	10%	73%	14%	2%	1%	
	Bridges	–	–	–	–	1,234	2,713	1%	93%	6%	0%	0%	
	Footpaths	4	4	–	–	332	463	23%	49%	26%	2%	0%	
	Other road assets	184	184	–	–	3,539	5,090	35%	45%	10%	1%	9%	
	Bulk earthworks	–	–	–	–	12,215	12,215	100%	0%	0%	0%	0%	
	Rural Roads			408	422								
	Sealed roads	167	167	–	–	17,655	25,699	21%	75%	2%	0%	1%	
	Unsealed roads	72	72	–	–	397	696	5%	63%	4%	0%	29%	
	Bridges	22	22	–	–	5,644	6,673	57%	42%	0%	0%	1%	
	Footpaths	–	–	–	–	–	–	100%	0%	0%	0%	0%	
	Other road assets	13	13	–	–	720	899	88%	5%	4%	0%	3%	
	Bulk earthworks	–	–	–	–	7,702	7,702	100%	0%	0%	0%	0%	
	Regional Roads			550	498								
	Sealed roads	29	29	–	–	8,189	16,176	1%	78%	20%	0%	0%	
	Bridges	–	–	–	–	3,109	6,866	10%	34%	56%	0%	0%	
	Footpaths	–	–	–	–	21	22	11%	67%	18%	4%	0%	
	Other road assets	102	102	–	–	1,572	1,821	56%	27%	1%	0%	16%	
	Bulk earthworks	–	–	–	–	3,605	3,605	100%	0%	0%	0%	0%	
	Access Roads & Carparks												
	Access Roads & Carparks – Sealed roads	14	14	–	–	1,901	2,270	21%	66%	11%	0%	1%	
	Footpaths	62	62	–	–	8,523	13,211	37%	58%	4%	0%	1%	
	Other road assets	–	–	–	–	659	982	12%	36%	52%	0%	0%	
	Bulk earthworks	–	–	–	–	272	272	100%	0%	0%	0%	0%	
	Sub-total	1,571	1,571	1,583	1,519	129,255	199,134	26.1%	60.2%	11.5%	0.9%	1.3%	

Kiama Municipal Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	142	69	408	451	71%	25%	4%	0%	0%
	Pits	–	–	–	–	7,381	9,654	19%	81%	0%	0%	0%
	Pipes	–	–	–	–	19,944	27,217	13%	87%	0%	0%	0%
	Open Channel	–	–	–	–	26	27	100%	0%	0%	0%	0%
	Sub-total	–	–	142	69	27,759	37,349	15.5%	84.4%	0.1%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	67	73	202	461	14%	1%	85%	0%	0%
	Recreation	779	779	1,496	1,432	8,595	13,129	13%	58%	13%	0%	16%
	Sub-total	779	779	1,563	1,505	8,797	13,590	13.1%	55.7%	15.3%	0.2%	15.8%
	TOTAL – ALL ASSETS	3,775	3,775	5,019	4,730	231,929	371,748	17.7%	58.5%	20.9%	0.6%	2.3%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Kiama Municipal Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>4,898</u>	90.37%	199.22%	244.07%	>= 100%
Depreciation, amortisation and impairment	<u>5,420</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>3,775</u>	1.63%	0.26%	1.56%	< 2.00%
Net carrying amount of infrastructure assets	<u>232,260</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>4,730</u>	94.24%	95.86%	101.81%	> 100%
Required asset maintenance	<u>5,019</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>3,775</u>	1.02%	0.16%	0.00%	
Gross replacement cost	<u>371,748</u>				

Notes

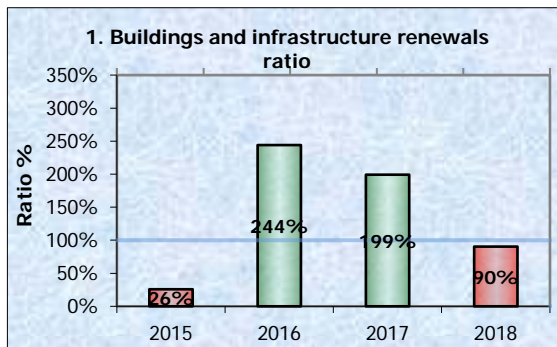
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/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.

Kiama Municipal Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



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.

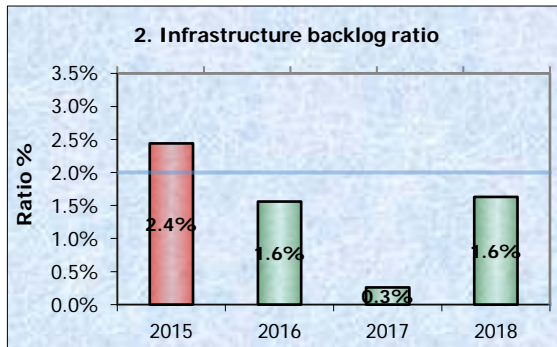
Commentary on 2017/18 result

2017/18 Ratio 90.37%

Reduction in ratio due to less contributed assets from the RMS for the Gerringong highway upgrade in comparison to the two previous years.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

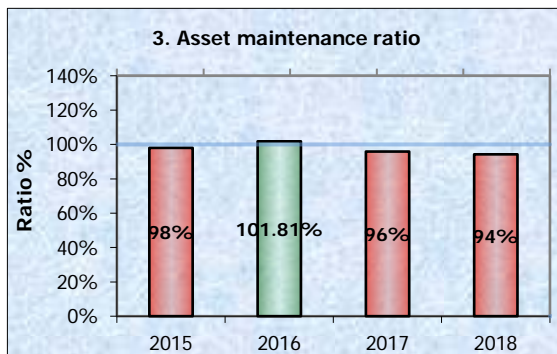
Commentary on 2017/18 result

2017/18 Ratio 1.63%

Increase in cost to bring assets to satisfactory standard due to the revaluation of buildings and reduction of remaining useful lives.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

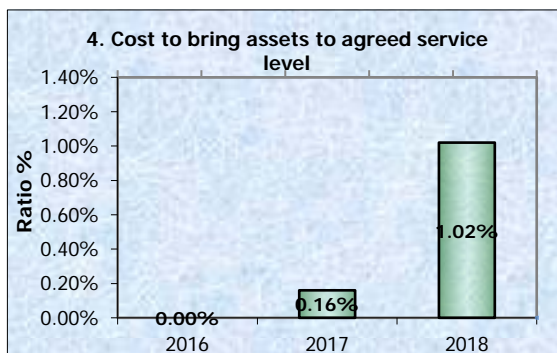
Commentary on 2017/18 result

2017/18 Ratio 94.24%

Council continues to spend adequate funds on asset maintenance which is seeing the continuation of exceeding the infrastructure backlog.

Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 1.02%

This ratio is the sum of the outstanding renewal works compared to the total replacement cost of infrastructure assets. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost.