

# Kingston District Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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# Kingston District Council

## General Purpose Financial Statements for the year ended 30 June 2016

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## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2016

### Certification of Financial Statements

**We have been authorised by the Council to certify the financial statements in their final form.**

**In our opinion:**

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2016 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.



Andrew MacDonald  
CHIEF EXECUTIVE OFFICER



Reg Lyon  
MAYOR

Date: 18 November 2016

## Kingston District Council

### Statement of Comprehensive Income for the year ended 30 June 2016

| \$ '000  | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>Income</b>  |       |              |              |
| Rates Revenues   | 2a    | 3,941        | 3,766        |
| Statutory Charges  | 2b    | 85           | 105          |
| User Charges   | 2c    | 172          | 158          |
| Grants, Subsidies and Contributions                      | 2g    | 921          | 1,285        |
| Investment Income  | 2d    | 44           | 58           |
| Reimbursements   | 2e    | 251          | 159          |
| Other Income   | 2f    | 68           | 63           |
| <b>Total Income</b>                                      |       | <b>5,482</b> | <b>5,594</b> |
| <b>Expenses</b>  |       |              |              |
| Employee Costs   | 3a    | 1,503        | 1,317        |
| Materials, Contracts & Other Expenses                    | 3b    | 2,393        | 2,391        |
| Depreciation, Amortisation & Impairment                  | 3c    | 1,633        | 1,572        |
| Finance Costs  | 3d    | 71           | 41           |
| <b>Total Expenses</b>                                    |       | <b>5,600</b> | <b>5,321</b> |
| <b>Operating Surplus / (Deficit)</b>                     |       | <b>(118)</b> | <b>273</b>   |
| Asset Disposal & Fair Value Adjustments                  | 4     | (5)          | 6            |
| Amounts Received Specifically for New or Upgraded Assets | 2g    | 137          | 180          |
| <b>Net Surplus / (Deficit) <sup>1</sup></b>              |       | <b>14</b>    | <b>459</b>   |
| <b>Other Comprehensive Income</b>                        |       |              |              |
| Nil  |       |              |              |
| <b>Total Comprehensive Income</b>                        |       | <b>14</b>    | <b>459</b>   |

<sup>1</sup> Transferred to Equity Statement

## Kingston District Council

### Statement of Financial Position as at 30 June 2016

| \$ '000                                     | Notes | 2016          | 2015          |
|---|-------|---------------|---------------|
| <b>ASSETS</b>                               |       |               |               |
| <b>Current Assets</b>                       |       |               |               |
| Cash and Cash Equivalents                   | 5a    | 2,224         | 2,398         |
| Trade & Other Receivables                   | 5b    | 145           | 235           |
| Inventories                                 | 5c    | 98            | 5             |
| <b>Total Current Assets</b>                 |       | <b>2,467</b>  | <b>2,638</b>  |
| <b>Non-Current Assets</b>                   |       |               |               |
| Financial Assets                            | 6a    | 2,915         | 2,927         |
| Infrastructure, Property, Plant & Equipment | 7a    | 62,235        | 62,231        |
| <b>Total Non-Current Assets</b>             |       | <b>65,150</b> | <b>65,158</b> |
| <b>TOTAL ASSETS</b>                         |       | <b>67,617</b> | <b>67,796</b> |
| <b>LIABILITIES</b>                          |       |               |               |
| <b>Current Liabilities</b>                  |       |               |               |
| Trade & Other Payables                      | 8a    | 318           | 350           |
| Borrowings                                  | 8b    | 169           | 210           |
| Provisions                                  | 8c    | 348           | 314           |
| <b>Total Current Liabilities</b>            |       | <b>835</b>    | <b>874</b>    |
| <b>Non-Current Liabilities</b>              |       |               |               |
| Borrowings                                  | 8b    | 3,161         | 3,317         |
| Provisions                                  | 8c    | 92            | 90            |
| <b>Total Non-Current Liabilities</b>        |       | <b>3,253</b>  | <b>3,407</b>  |
| <b>TOTAL LIABILITIES</b>                    |       | <b>4,088</b>  | <b>4,281</b>  |
| <b>Net Assets</b>                           |       | <b>63,529</b> | <b>63,515</b> |
| <b>EQUITY</b>                               |       |               |               |
| Accumulated Surplus                         |       | 24,717        | 24,767        |
| Asset Revaluation Reserves                  | 9a    | 37,424        | 37,424        |
| Other Reserves                              | 9b    | 1,388         | 1,324         |
| <b>Total Council Equity</b>                 |       | <b>63,529</b> | <b>63,515</b> |

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

## Kingston District Council

### Statement of Changes in Equity for the year ended 30 June 2016

| \$ '000   | Asset                  |                        |                   | Total<br>Equity |
|---|------------------------|------------------------|-------------------|-----------------|
|   | Accumulated<br>Surplus | Revaluation<br>Reserve | Other<br>Reserves |                 |
| <b>2016</b>   |                        |                        |                   |                 |
| <b>Balance at the end of previous reporting period</b>    | 24,767                 | 37,424                 | 1,324             | 63,515          |
| <b>a. Adjustments (Correction of Prior Period Errors)</b> | -                      | -                      | -                 | -               |
| <b>Restated Opening Balance</b>                           | <b>24,767</b>          | <b>37,424</b>          | <b>1,324</b>      | <b>63,515</b>   |
| <b>b. Net Surplus / (Deficit) for Year</b>                | 14                     | -                      | -                 | 14              |
| <b>Total Comprehensive Income</b>                         | <b>14</b>              | <b>-</b>               | <b>-</b>          | <b>14</b>       |
| <b>c. Transfers between Reserves</b>                      | (64)                   | -                      | 64                | -               |
| <b>Balance at the end of period</b>                       | <b>24,717</b>          | <b>37,424</b>          | <b>1,388</b>      | <b>63,529</b>   |
| <b>2015</b>   |                        |                        |                   |                 |
| <b>Balance at the end of previous reporting period</b>    | 24,482                 | 37,425                 | 1,149             | 63,056          |
| <b>a. Adjustments (Correction of Prior Period Errors)</b> | 4                      | (1)                    | (3)               | -               |
| <b>Restated Opening Balance</b>                           | <b>24,486</b>          | <b>37,424</b>          | <b>1,146</b>      | <b>63,056</b>   |
| <b>b. Net Surplus / (Deficit) for Year</b>                | 459                    | -                      | -                 | 459             |
| <b>Total Comprehensive Income</b>                         | <b>459</b>             | <b>-</b>               | <b>-</b>          | <b>459</b>      |
| <b>c. Transfers between Reserves</b>                      | (178)                  | -                      | 178               | -               |
| <b>Balance at the end of period</b>                       | <b>24,767</b>          | <b>37,424</b>          | <b>1,324</b>      | <b>63,515</b>   |

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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## Kingston District Council

### Statement of Cash Flows for the year ended 30 June 2016

| \$ '000   | Notes | 2016           | 2015           |
|---|-------|----------------|----------------|
| <b>Cash Flows from Operating Activities</b>                   |       |                |                |
| <u>Receipts</u>   |       |                |                |
| Rates Receipts  |       | 3,940          | 3,768          |
| Statutory Charges   |       | 85             | 105            |
| User Charges  |       | 172            | 158            |
| Grants, Subsidies and Contributions (operating purpose)       |       | 921            | 1,285          |
| Investment Receipts   |       | 44             | 58             |
| Reimbursements  |       | 251            | 159            |
| Other Receipts  |       | 517            | 348            |
| <u>Payments</u>   |       |                |                |
| Payments to Employees   |       | (1,516)        | (1,186)        |
| Payments for Materials, Contracts & Other Expenses            |       | (2,818)        | (2,665)        |
| Finance Payments  |       | (77)           | (1)            |
| <b>Net Cash provided by (or used in) Operating Activities</b> | 11b   | <b>1,519</b>   | <b>2,029</b>   |
| <b>Cash Flows from Investing Activities</b>                   |       |                |                |
| <u>Receipts</u>   |       |                |                |
| Amounts Received Specifically for New/Upgraded Assets         |       | 137            | 180            |
| Sale of Replaced Assets                                       |       | 84             | 117            |
| Repayments of Loans by Community Groups                       |       | 9              | -              |
| <u>Payments</u>   |       |                |                |
| Expenditure on Renewal/Replacement of Assets                  |       | (1,404)        | (1,451)        |
| Expenditure on New/Upgraded Assets                            |       | (322)          | (233)          |
| Loans Made to Community Groups                                |       | -              | (65)           |
| <b>Net Cash provided by (or used in) Investing Activities</b> |       | <b>(1,496)</b> | <b>(1,452)</b> |
| <b>Cash Flows from Financing Activities</b>                   |       |                |                |
| <u>Receipts</u>   |       |                |                |
| Proceeds from Borrowings                                      |       | 15             | 90             |
| <u>Payments</u>   |       |                |                |
| Repayments of Borrowings                                      |       | (212)          | (307)          |
| <b>Net Cash provided by (or used in) Financing Activities</b> |       | <b>(197)</b>   | <b>(217)</b>   |
| <b>Net Increase (Decrease) in Cash Held</b>                   |       | <b>(174)</b>   | <b>360</b>     |
| plus: Cash & Cash Equivalents at beginning of period          | 11    | 2,398          | 2,038          |
| <b>Cash &amp; Cash Equivalents at end of period</b>           | 11    | <b>2,224</b>   | <b>2,398</b>   |

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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| 3       | Expenses   | 17     |
| 4       | Asset Disposal & Fair Value Adjustments                                | 18     |
|         | <b>Current Assets</b>  |        |
| 5a      | Cash & Cash Equivalents  | 19     |
| 5b      | Trade & Other Receivables  | 19     |
| 5c      | Inventories  | 19     |
|         | <b>Non-Current Assets</b>  |        |
| 6a      | Financial Assets   | 19     |
|         | <b>Fixed Assets</b>  |        |
| 7a (i)  | Infrastructure, Property, Plant & Equipment                            | 20     |
| 7a (ii) | Investment Property  | 20 n/a |
| 7b      | Valuation of Infrastructure, Property, Plant & Equipment               | 21     |
|         | <b>Liabilities</b>   |        |
| 8a      | Trade & Other Payables   | 25     |
| 8b      | Borrowings   | 25     |
| 8c      | Provisions   | 25     |
|         | <b>Reserves</b>  |        |
| 9a      | Asset Revaluation Reserve  | 26     |
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n/a - not applicable



# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2016

### Note 1. Summary of Significant Accounting Policies

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The principal accounting policies adopted by Council 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.

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*

##### 1.2 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### 1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

#### 2 The Local Government Reporting Entity

Kingston District Council is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 29 Holland Street, Kingston SE. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

#### 3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In the month of June in recent years the Federal government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$221,000 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$444,000 and in June 2013, again two quarters of the 2013/14 allocation: \$435,000. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in a consistent manner.

These amounts in advance were adjusted in the 2013/14 financial year. In the month of June 2015 two quarters of the 2015/16 allocation: being \$415,000 was paid to Council.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

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No grants for 2016/17 have been received in advance during the 2015/16 year.

#### 4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

#### 5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

##### 5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

##### 5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

#### 6 Infrastructure, Property, Plant & Equipment

##### 6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

##### 6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

is applied to the acquisition of land or interests in land.

|   |         |
|---|---------|
| Office Furniture & Equipment            | \$1,000 |
| Other Plant & Equipment                 | \$1,000 |
| Buildings - new construction/extensions | \$1,000 |
| Park & Playground Furniture & Equipment | \$1,000 |
| Road construction & reconstruction      | \$1,000 |
| Paving & footpaths, Kerb & Gutter       | \$1,000 |
| Drains & Culverts                       | \$5,000 |

### 6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

### 6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

#### Plant, Furniture & Equipment

|                                |                |
|--------------------------------|----------------|
| Office Equipment               | 5 to 10 years  |
| Office Furniture               | 10 to 20 years |
| Vehicles and Road-making Equip | 5 to 8 years   |
| Other Plant & Equipment        | 5 to 15 years  |

#### Building & Other Structures

|                                      |                 |
|--------------------------------------|-----------------|
| Buildings – masonry                  | 50 to 100 years |
| Buildings – other construction       | 20 to 40 years  |
| Park Structures – masonry            | 50 to 100 years |
| Park Structures – other construction | 20 to 40 years  |

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

#### Infrastructure

|                                   |                 |
|-----------------------------------|-----------------|
| Sealed Roads – Surface            | 15 to 25 years  |
| Sealed Roads – Structure          | 20 to 50 years  |
| Unsealed Roads                    | 10 to 20 years  |
| Paving & Footpaths, Kerb & Gutter | 80 to 100 years |
| Drains                            | 80 to 100 years |
| Culverts                          | 50 to 75 years  |
| Bores                             | 20 to 40 years  |
| Reticulation Pipes – PVC          | 70 to 80 years  |
| Reticulation Pipes – other        | 25 to 75 years  |
| Pumps & Telemetry                 | 15 to 25 years  |

### 6.5 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

### 6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

## 7 Payables

### 7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

### 7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

## 8 Borrowings

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

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

## 9 Employee Benefits

### 9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are

calculated using government guaranteed securities rates with similar maturity terms.

|                                 |                        |
|---------------------------------|------------------------|
| Weighted avg. discount rate     | 1.75% (2015, 2.10%)    |
| Weighted avg. settlement period | 1 years (2015, 1 year) |

### 9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

## 10 Provisions

### 10.1 Provisions for Reinstatement, Restoration and Rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

## 11 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

### 12 Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues and expenses are recognised on a percentage of completion basis. Costs incurred in advance of a future claimed entitlement are classified as work in progress in inventory. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### 13 Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

### 14 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

### 15 New accounting standards and UIG interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

Kingston District Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets, including its investment in XYZ at fair value. There will be no financial impact on the consolidated financial statements.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

**Effective for periods commencing 1 January 2016:**

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1057 *Application of Australian Accounting Standards*

- AASB 2014-3 *Amendments to Australian Accounting Standards-Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards-Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-6 *Amendments to Australian Accounting Standards-Agriculture: Bearer Plants*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* [AASB 1, 127 & 128]
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [AASB 10 & AASB 128]
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception* [AASB 10, AASB 12 & AASB 128]
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part D)*

**Effective for periods commencing 1 July 2016:**

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies (continued)

**Effective for periods commencing 1 January  
2017:**

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

**Effective for periods commencing 1 January  
2018:**

- AASB *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

**Effective for periods commencing 1 January  
2019:**

- AASB 16 *Leases*

**16 Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes. Reclassifying previous year's comparative period line items was not practical for all line items. For these items, the previous year's balance may be disclosed as zero.

**17 Disclaimer**

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

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 2. Income

| \$ '000  | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>(a). Rates Revenues</b>                           |       |              |              |
| <b>General Rates</b>                                 |       |              |              |
| General Rates  |       | 3,153        | 3,018        |
| Less: Mandatory Rebates                              |       | (18)         | (28)         |
| Less: Discretionary Rebates, Remissions & Write Offs |       | (34)         | (28)         |
| <b>Total General Rates</b>                           |       | <b>3,101</b> | <b>2,962</b> |
| <b>Other Rates (Including Service Charges)</b>       |       |              |              |
| Natural Resource Management Levy                     |       | 89           | 86           |
| Waste Collection                                     |       | 375          | 355          |
| Community Wastewater Management Systems              |       | 364          | 353          |
| <b>Total Other Rates</b>                             |       | <b>828</b>   | <b>794</b>   |
| <b>Other Charges</b>                                 |       |              |              |
| Penalties for Late Payment                           |       | 8            | 6            |
| Legal & Other Costs Recovered                        |       | 4            | 4            |
| <b>Total Other Charges</b>                           |       | <b>12</b>    | <b>10</b>    |
| <b>Total Rates Revenues</b>                          |       | <b>3,941</b> | <b>3,766</b> |
| <b>(b). Statutory Charges</b>                        |       |              |              |
| Development Act Fees                                 |       | 18           | 28           |
| Building Assessment Fees                             |       | -            | 15           |
| Town Planning Fees                                   |       | 28           | 24           |
| Health & Septic Tank Inspection Fees                 |       | 17           | 11           |
| Animal Registration Fees & Fines                     |       | 15           | 16           |
| Other Registration Fees                              |       | 1            | -            |
| Sundry   |       | -            | 11           |
| Other  |       | 6            | -            |
| <b>Total Statutory Charges</b>                       |       | <b>85</b>    | <b>105</b>   |
| <b>(c). User Charges</b>                             |       |              |              |
| Cemetery/Crematoria Fees                             |       | 26           | 22           |
| Hall & Equipment Hire                                |       | 5            | -            |
| Property Lease                                       |       | 15           | -            |
| Sales - General                                      |       | 2            | -            |
| Sangarb Dump Fees                                    |       | 13           | 15           |
| Boat Ramp Fees                                       |       | 36           | 30           |
| Aero Fees  |       | 5            | 5            |
| Caravan Fees   |       | 54           | 53           |
| Hire Fees  |       | 4            | 17           |
| Truck Wash Income                                    |       | 10           | 15           |
| Sundry   |       | 2            | 1            |
| <b>Total User Charges</b>                            |       | <b>172</b>   | <b>158</b>   |



## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 2. Income (continued)

| \$ '000  | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>(d). Investment Income</b>  |       |              |              |
| Interest on Investments  |       |              |              |
| - Local Government Finance Authority   |       | 39           | 53           |
| - Banks & Other  |       | -            | 1            |
| - Loans to Community Groups  |       | 5            | 4            |
| <b>Total Investment Income</b>   |       | <b>44</b>    | <b>58</b>    |
| <b>(e). Reimbursements</b>   |       |              |              |
| Roadworks  |       | 30           | -            |
| Private Works  |       | 17           | 3            |
| Joint Undertakings   |       | 122          | 131          |
| Diesel Fuel Rebate   |       | 30           | 13           |
| Other  |       | 52           | 12           |
| <b>Total Reimbursements</b>  |       | <b>251</b>   | <b>159</b>   |
| <b>(f). Other Income</b>   |       |              |              |
| Sundry   |       | 68           | 63           |
| <b>Total Other Income</b>  |       | <b>68</b>    | <b>63</b>    |
| <b>(g). Grants, Subsidies, Contributions</b>                                       |       |              |              |
| Amounts Received Specifically for New or Upgraded Assets                           |       | 137          | 180          |
| Other Grants, Subsidies and Contributions  |       | 4            | 283          |
| Untied - Financial Assistance Grant  |       | 434          | 407          |
| Roads to Recovery  |       | 452          | 180          |
| Sundry   |       | 31           | -            |
| Individually Significant Item - Additional Grants Commission Payment (refer below) |       | -            | 415          |
| <b>Total Grants, Subsidies, Contributions</b>                                      |       | <b>1,058</b> | <b>1,465</b> |
| The functions to which these grants relate are shown in Note 12.                   |       |              |              |
| <b>(i) Sources of grants</b>   |       |              |              |
| Commonwealth Government  |       | 574          | 180          |
| State Government   |       | 484          | 1,285        |
| <b>Total</b>   |       | <b>1,058</b> | <b>1,465</b> |
| <b>(ii) Individually Significant Items</b>   |       |              |              |
| Grant Commission (FAG) Grant Recognised as Income                                  |       | -            | 415          |

In the month of June 2015 two quarters of the 2015/16 allocation of the Grants Commission FAG grants by the Federal Government being \$415k was paid to Council.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 3. Expenses

| \$ '000   | Notes | 2016         | 2015         |
|---|-------|--------------|--------------|
| <b>(a). Employee Costs</b>  |       |              |              |
| Salaries and Wages  |       | 1,135        | 1,082        |
| Employee Leave Expense  |       | 241          | 155          |
| Superannuation - Defined Contribution Plan Contributions                    | 18    | 118          | 81           |
| Superannuation - Defined Benefit Plan Contributions                         | 18    | 19           | 27           |
| Workers' Compensation Insurance   |       | 64           | 63           |
| Other   |       | 9            | -            |
| Less: Capitalised and Distributed Costs                                     |       | (83)         | (91)         |
| <b>Total Operating Employee Costs</b>                                       |       | <b>1,503</b> | <b>1,317</b> |
| <br>  |       |              |              |
| Total Number of Employees (full time equivalent at end of reporting period) |       | 19           | 18           |
| <br><b>(b). Materials, Contracts and Other Expenses</b>                     |       |              |              |
| <b>(i) Prescribed Expenses</b>  |       |              |              |
| Auditor's Remuneration  |       |              |              |
| - Auditing the Financial Reports  |       | 16           | 11           |
| Elected Members' Expenses   |       | 86           | 83           |
| Election Expenses   |       | 1            | 9            |
| Operating Lease Rentals - Cancellable Leases                                |       | 4            | -            |
| <b>Subtotal - Prescribed Expenses</b>                                       |       | <b>107</b>   | <b>103</b>   |
| <br><b>(ii) Other Materials, Contracts and Expenses</b>                     |       |              |              |
| Contractors   |       | 1,254        | 1,011        |
| Energy  |       | 80           | -            |
| Maintenance   |       | 83           | 864          |
| Legal Expenses  |       | 13           | 7            |
| Levies Paid to Government - NRM levy  |       | 88           | 84           |
| Levies - Other  |       | 11           | -            |
| Parts, Accessories & Consumables  |       | 65           | -            |
| Professional Services   |       | 123          | -            |
| Joint Undertakings  |       | 122          | 134          |
| Sundry  |       | 93           | 188          |
| Insurance   |       | 153          | -            |
| Fuel  |       | 79           | -            |
| Contributions   |       | 107          | -            |
| Water   |       | 15           | -            |
| <b>Subtotal - Other Material, Contracts &amp; Expenses</b>                  |       | <b>2,286</b> | <b>2,288</b> |
| <br>  |       |              |              |
| <b>Total Materials, Contracts and Other Expenses</b>                        |       | <b>2,393</b> | <b>2,391</b> |

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 3. Expenses (continued)

| \$ '000  | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>(c). Depreciation, Amortisation and Impairment</b>  |       |              |              |
| <b>(i) Depreciation and Amortisation</b>               |       |              |              |
| Buildings & Other Structures                           |       | 444          | 433          |
| Infrastructure   |       | 884          | 848          |
| - CWMS   |       | 121          | 120          |
| Plant & Equipment                                      |       | 157          | 140          |
| Furniture & Fittings                                   |       | 13           | 12           |
| Minor Plant & Equipment                                |       | 10           | 9            |
| Office Equipment                                       |       | 4            | 10           |
| <b>Subtotal</b>  |       | <b>1,633</b> | <b>1,572</b> |
| <b>(ii) Impairment</b>                                 |       |              |              |
| Nil  |       |              |              |
| <b>Total Depreciation, Amortisation and Impairment</b> |       | <b>1,633</b> | <b>1,572</b> |
| <b>(d). Finance Costs</b>                              |       |              |              |
| Interest on Borrowings                                 |       | 71           | 41           |
| <b>Total Finance Costs</b>                             |       | <b>71</b>    | <b>41</b>    |

#### Note 4. Asset Disposal & Fair Value Adjustments

|   |  |            |          |
|---|--|------------|----------|
| <b>Infrastructure, Property, Plant &amp; Equipment</b>      |  |            |          |
| <b>Assets Renewed or Directly Replaced</b>                  |  |            |          |
| Proceeds from Disposal                                      |  | 84         | 117      |
| Less: Carrying Amount of Assets Sold                        |  | (89)       | (111)    |
| <b>Gain (Loss) on Disposal</b>                              |  | <b>(5)</b> | <b>6</b> |
| <b>Net Gain (Loss) on Disposal or Revaluation of Assets</b> |  | <b>(5)</b> | <b>6</b> |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2016

### Note 5. Current Assets

| \$ '000                                    | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>(a). Cash &amp; Cash Equivalents</b>    |       |              |              |
| Cash on Hand at Bank                       |       | 145          | 128          |
| Deposits at Call                           |       | 2,079        | 2,270        |
| <b>Total Cash &amp; Cash Equivalents</b>   |       | <b>2,224</b> | <b>2,398</b> |
| <b>(b). Trade &amp; Other Receivables</b>  |       |              |              |
| Rates - General & Other                    |       | 77           | 76           |
| Accrued Revenues                           |       | 12           | 43           |
| Debtors - General                          |       | 32           | 81           |
| GST Recoupment                             |       | -            | 14           |
| Loans to Community Organisations           |       | 24           | 21           |
| <b>Total Trade &amp; Other Receivables</b> |       | <b>145</b>   | <b>235</b>   |
| <b>(c). Inventories</b>                    |       |              |              |
| Stores & Materials                         |       | 98           | 5            |
| <b>Total Inventories</b>                   |       | <b>98</b>    | <b>5</b>     |

### Note 6. Non-Current Assets

#### (a). Financial Assets

|   |  |              |              |
|---|--|--------------|--------------|
| <b>Receivables</b>  |  |              |              |
| Loans to Community Organisations and Other External Organisations |  | 2,915        | 2,927        |
| <b>Total Financial Assets</b>                                     |  | <b>2,915</b> | <b>2,927</b> |

In 2005/06 Council purchased some land on behalf of Cape Jaffa Developments. Council took out a loan for the Cost price of this land. The intention of this transaction was for Council to be an intermediary in this process by borrowing the funds and lending this to Cape Jaffa Developments. Over time as part of Councils rolling revaluation process this land has been revalued resulting in the asset in Councils balance sheet being significantly overvalued. As per the Agreements in place Council does not receive any proceeds from the Sale of the blocks at Cape Jaffa.

As a result of this it has been determined to restate the Financial Statements to correctly reflect the value receivable from Cape Jaffa Developments being the Loan that Council took out with the Local Government Finance Authority.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 7a (i). Infrastructure, Property, Plant & Equipment

| \$ '000  | Fair Value Level | as at 30/6/2015 |               |               |                   |               |                | as at 30/6/2016 |              |                        |                                |               |               |                   |               |                |
|--|------------------|-----------------|---------------|---------------|-------------------|---------------|----------------|-----------------|--------------|------------------------|--------------------------------|---------------|---------------|-------------------|---------------|----------------|
|  |                  | Fair Value      | At Fair Value | At Cost       | Accumulated Dep'n | Impairment    | Carrying Value | New/ Upgrade    | Renewals     | WDV of Asset Disposals | Depreciation Expense (Note 3c) | At Fair Value | At Cost       | Accumulated Dep'n | Impairment    | Carrying Value |
|  |                  |                 |               |               |                   |               |                |                 |              |                        |                                |               |               |                   |               |                |
| Capital Work in Progress                                     |                  |                 |               |               |                   |               |                |                 |              |                        |                                |               |               |                   |               |                |
| Land - Community   | 3                |                 | 6,216         | -             | -                 | -             | 6,216          | 46              | 20           | -                      | -                              | -             | -             | -                 | 66            | 66             |
| Land - Other   | 2                |                 | 4,713         | -             | -                 | -             | 4,713          | -               | -            | -                      | -                              | -             | -             | -                 | -             | 6,217          |
| Buildings & Other Structures                                 | 3                |                 | 8,458         | 779           | 2,608             | 6,829         | 80             | 185             | -            | (187)                  | -                              | 8,458         | 1,044         | 2,795             | -             | 4,713          |
| Buildings & Other Structures                                 | 2                |                 | 12,626        | 2             | 4,908             | 7,720         | 143            | -               | -            | (257)                  | -                              | 12,626        | 2             | 5,165             | -             | 6,707          |
| Infrastructure   | 3                |                 | 33,927        | 3,636         | 8,016             | 29,547        | 143            | 1,034           | -            | (884)                  | -                              | 33,927        | 4,815         | 8,900             | -             | 7,463          |
| - CWMS   |                  |                 |               | 6,917         | 1,543             | 5,374         | -              | 9               | -            | (121)                  | -                              | -             | 6,926         | 1,663             | -             | 29,842         |
| Plant & Equipment  |                  |                 |               | 3,183         | 1,275             | 1,908         | -              | 144             | (68)         | (157)                  | -                              | -             | 3,196         | 1,389             | -             | 5,283          |
| Furniture & Fittings   |                  |                 |               | 231           | 169               | 62            | -              | 16              | -            | (13)                   | -                              | -             | 246           | 183               | -             | 1,807          |
| Minor Plant & Equipment                                      |                  |                 |               | 200           | 141               | 59            | -              | 9               | -            | (10)                   | -                              | -             | 209           | 151               | -             | 58             |
| Office Equipment   |                  |                 |               | 322           | 319               | 3             | -              | 37              | -            | (4)                    | -                              | -             | 359           | 323               | -             | 36             |
| <b>Total Infrastructure, Property, Plant &amp; Equipment</b> |                  |                 | <b>65,940</b> | <b>15,270</b> | <b>18,979</b>     | <b>62,231</b> | <b>322</b>     | <b>1,401</b>    | <b>(88)</b>  | <b>(1,633)</b>         | <b>65,941</b>                  | <b>16,863</b> | <b>20,569</b> | <b>-</b>          | <b>62,235</b> |                |
| <b>Comparatives</b>  |                  |                 | <b>76,017</b> | <b>3,831</b>  | <b>17,618</b>     | <b>62,230</b> | <b>233</b>     | <b>1,451</b>    | <b>(111)</b> | <b>(1,572)</b>         | <b>65,940</b>                  | <b>15,270</b> | <b>18,979</b> | <b>-</b>          | <b>62,231</b> |                |

Note 7a (ii). Investment Property

Nil

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment &  
Investment Property

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\$ '000

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### Valuation of Assets

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).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

### Information on Valuations

*Accounting procedure:* Upon revaluation, the current new replacement cost and accumulated depreciation are restated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

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\$ '000

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##### Valuation of Assets (continued)

##### Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.19 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

##### Highest and best use

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

For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

##### Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

*Fair value hierarchy level 2 valuations:* Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment &  
Investment Property (continued)

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\$ '000

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Valuation of Assets (continued)

*Fair value hierarchy level 3 valuations of land:* Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and/or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

*Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets:* There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

**Land & Land Improvements**

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.



## Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

### Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

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\$ '000

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#### Valuation of Assets (continued)

##### **Buildings & Other Structures**

Buildings and other structures were revalued as at 30 June 2012 by Maloney Field Services, Property Consultants and Valuers.

##### **Infrastructure**

###### *Transportation Assets*

Transportation assets were valued by Maloney Field Services, Property Consultants and Valuers at depreciated current replacement cost during the reporting period ended 30 June 2012.

###### *Stormwater Drainage*

Stormwater drainage infrastructure was valued by Maloney Field Services, Property Consultants and Valuers at depreciated current replacement cost during the reporting period ended 30 June 2012.

###### *Community Wastewater Management System Infrastructure*

Community wastewater management system infrastructure was valued by Maloney Field Services, Property Consultants and Valuers at depreciated current replacement cost during the reporting period ended 30 June 2012.

##### **Plant, Furniture & Equipment**

These assets are recognised on the cost basis.

##### **All other Assets**

These assets are recognised on the cost basis.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 8. Liabilities

| \$ '000                                  | Notes | 2016       |             | 2015       |             |
|--|-------|------------|-------------|------------|-------------|
|  |       | Current    | Non Current | Current    | Non Current |
| <b>(a). Trade and Other Payables</b>     |       |            |             |            |             |
| Goods & Services                         |       | 257        | -           | 182        | -           |
| Payments Received in Advance             |       | 13         | -           | 13         | -           |
| Accrued Expenses - Employee Entitlements |       | 7          | -           | 56         | -           |
| Accrued Expenses - Finance Costs         |       | 34         | -           | 40         | -           |
| Accrued Expenses - Other                 |       | 7          | -           | 59         | -           |
| <b>Total Trade and Other Payables</b>    |       | <b>318</b> | <b>-</b>    | <b>350</b> | <b>-</b>    |

#### (b). Borrowings

|                         |            |              |            |              |
|-------------------------|------------|--------------|------------|--------------|
| <b>Borrowings</b>       | <b>169</b> | <b>3,161</b> | <b>210</b> | <b>3,317</b> |
| <b>Total Borrowings</b> | <b>169</b> | <b>3,161</b> | <b>210</b> | <b>3,317</b> |

All interest bearing liabilities are secured over the future revenues of the Council

#### (c). Provisions

|  |            |           |            |           |
|--|------------|-----------|------------|-----------|
| <b>Employee Entitlements (including oncosts)</b> | <b>348</b> | <b>92</b> | <b>314</b> | <b>90</b> |
| <b>Total Provisions</b>                          | <b>348</b> | <b>92</b> | <b>314</b> | <b>90</b> |

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 9. Reserves

| \$ '000                                | 1/7/2015      | Increments<br>(Decrements) | Transfers | Impairments | 30/6/2016     |
|--|---------------|----------------------------|-----------|-------------|---------------|
| <b>(a). Asset Revaluation Reserve</b>  |               |                            |           |             |               |
| Land - Other                           | 7,500         | -                          | -         | -           | 7,500         |
| Buildings & Other Structures           | 15,820        | -                          | -         | -           | 15,820        |
| Furniture & Fittings                   | 1,777         | -                          | -         | -           | 1,777         |
| Office Equipment                       | 3,783         | -                          | -         | -           | 3,783         |
| Sewerage                               | 8,544         | -                          | -         | -           | 8,544         |
| <b>Total Asset Revaluation Reserve</b> | <b>37,424</b> | <b>-</b>                   | <b>-</b>  | <b>-</b>    | <b>37,424</b> |
| <b>Comparatives</b>                    | <b>37,424</b> | <b>-</b>                   | <b>-</b>  | <b>-</b>    | <b>37,424</b> |

| \$ '000                        | 1/7/2015     | Tfrs to<br>Reserve | Tfrs from<br>Reserve | Other<br>Movements | 30/6/2016    |
|--------------------------------|--------------|--------------------|----------------------|--------------------|--------------|
| <b>(b). Other Reserves</b>     |              |                    |                      |                    |              |
| LSL & AL                       | 158          | -                  | -                    | -                  | 158          |
| IT & T                         | 9            | -                  | -                    | -                  | 9            |
| Roadwork Compensation          | 129          | 3                  | -                    | -                  | 132          |
| Old School Oval Upgrade        | 49           | 1                  | -                    | -                  | 50           |
| Rubble Reserve                 | 204          | 4                  | (90)                 | -                  | 118          |
| Boat Haven / Ramp              | 44           | -                  | -                    | -                  | 44           |
| Kingston Jetty                 | 20           | -                  | -                    | -                  | 20           |
| Kingston CWMS                  | 503          | 137                | -                    | -                  | 640          |
| Cape Jaffa Maintenance Reserve | 120          | 7                  | -                    | -                  | 127          |
| Kingston Grazing Committee     | 88           | 2                  | -                    | -                  | 90           |
| <b>Total Other Reserves</b>    | <b>1,324</b> | <b>154</b>         | <b>(90)</b>          | <b>-</b>           | <b>1,388</b> |
| <b>Comparatives</b>            | <b>1,146</b> | <b>178</b>         | <b>-</b>             | <b>-</b>           | <b>1,324</b> |

#### PURPOSES OF RESERVES

##### Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

##### LSL & AL

LSL & AL Reserve is for future cash requirements upon staff leaving Council employment.

##### IT & T

IT & T Reserve is for future information technology and communications replacement on a rolling three year replacement program.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 9. Reserves (continued)

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\$ '000

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##### PURPOSES OF RESERVES (continued)

###### Roadwork Compensation

Roadwork Compensation is funds held by Council on transfer of DTEI roads to Council and are held for future asset replacement or urgent capital maintenance.

###### Old School Oval Upgrade

Old School Oval Upgrade is held for future oval upgrades.

###### Works in Progress Reserve

Works in Progress Reserve was funds held from incomplete works and projects from the current financial year and were to be spent in the following year. All incomplete projects will be rebudgeted in future years.

###### Boat Haven / Ramp

Boat Haven / Ramp Reserve is funds set aside for future capital maintenance of boat launching and retrieval infrastructure.

###### Kingston Jetty

Kingston Jetty Reserve is funds set aside for future capital maintenance of the Jetty that results from a storm event.

###### Kingston CWMS

Kingston CWMS is for future asset replacement and capital maintenance.

###### Cape Jaffa Maintenance Reserve

Cape Jaffa Maintenance Reserve is for future maintenance activities associated with Cape Jaffa Anchorage.

#### Note 10. Assets Subject to Restrictions

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Council does not hold any assets subject to restrictions

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 11. Reconciliation to Statement of Cash Flows

| \$ '000  | Notes | 2016         | 2015         |
|--|-------|--------------|--------------|
| <b>(a). Reconciliation of Cash</b>   |       |              |              |
| Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows: |       |              |              |
| Total Cash & Equivalent Assets   | 5     | 2,224        | 2,398        |
| Less: Short-Term Borrowings  | 8     | -            | -            |
| <b>Balances per Statement of Cash Flows</b>  |       | <b>2,224</b> | <b>2,398</b> |

#### (b). Reconciliation of Change in Net Assets to Cash from Operating Activities

|  |  |              |              |
|--|--|--------------|--------------|
| <b>Net Surplus/(Deficit)</b>   |  | <b>14</b>    | <b>459</b>   |
| Non-Cash Items in Income Statements                                      |  |              |              |
| Depreciation, Amortisation & Impairment                                  |  | 1,633        | 1,572        |
| Grants for Capital Acquisitions (Treated as Investing Activity Receipts) |  | (137)        | (180)        |
| Net (Gain) Loss on Disposals   |  | 5            | (6)          |
|  |  | <b>1,515</b> | <b>1,845</b> |
| <b>Add (Less): Changes in Net Current Assets</b>                         |  |              |              |
| Net (Increase)/Decrease in Receivables                                   |  | 93           | (52)         |
| Net (Increase)/Decrease in Inventories                                   |  | (93)         | 39           |
| Net Increase/(Decrease) in Trade & Other Payables                        |  | (32)         | 90           |
| Net Increase/(Decrease) in Unpaid Employee Benefits                      |  | 36           | 107          |
| <b>Net Cash provided by (or used in) operations</b>                      |  | <b>1,519</b> | <b>2,029</b> |

#### (c). Non-Cash Financing and Investing Activities

Nil

#### (d). Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

|                                      |     |     |
|--------------------------------------|-----|-----|
| Bank Overdrafts                      | 100 | 100 |
| Corporate Credit Cards               | 16  | 16  |
| LGFA Cash Advance Debenture Facility | 304 | 304 |

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

## Notes to and forming part of the Financial Statements for the year ended 30 June 2016

### Note 12a. Functions

| Functions/Activities              | Income, Expenses and Assets have been directly attributed to the following Functions / Activities.<br>Details of these Functions/Activities are provided in Note 12(b). |              |              |              |                             |             |                           |              |   |               |
|-----------------------------------|---|--------------|--------------|--------------|-----------------------------|-------------|---------------------------|--------------|---|---------------|
|                                   | INCOME  |              | EXPENSES     |              | OPERATING SURPLUS (DEFICIT) |             | GRANTS INCLUDED IN INCOME |              | TOTAL ASSETS HELD (CURRENT & NON-CURRENT) |               |
|                                   | Actual 2016   | Actual 2015  | Actual 2016  | Actual 2015  | Actual 2016                 | Actual 2015 | Actual 2016               | Actual 2015  | Actual 2016                               | Actual 2015   |
| \$ '000                           |   |              |              |              |                             |             |                           |              |   |               |
| Business Undertakings             | 448   | -            | 13           | -            | 435                         | -           | -                         | -            | -   | -             |
| Administration                    | 3,456   | 3,910        | 1,180        | 1,055        | 2,276                       | 2,855       | -                         | 822          | 5,314                                     | 5,328         |
| Public Order & Safety             | -   | 17           | 146          | 41           | (146)                       | (24)        | -                         | -            | 263                                       | 264           |
| Health                            | 13  | 14           | 35           | 37           | (22)                        | (23)        | -                         | 1            | 670                                       | 672           |
| Economic Affairs                  | -   | 200          | 297          | 184          | (297)                       | 16          | -                         | -            | 1,511                                     | 1,515         |
| Housing & Community Amenities     | 37  | 765          | 67           | 881          | (30)                        | (116)       | -                         | 10           | 7,162                                     | 7,181         |
| Mining, Manufacturing & Const     | 96  | 78           | -            | 164          | 96                          | (86)        | -                         | -            | -   | -             |
| Other Purposes NEC                | 23  | 109          | -            | 390          | 23                          | (281)       | -                         | -            | 10,020                                    | 10,047        |
| Social Security & Welfare         | -   | -            | 95           | 25           | (95)                        | (25)        | -                         | -            | 1,701                                     | 1,706         |
| Transport & Communication         | 955   | 400          | 2,083        | 1,713        | (1,128)                     | (1,313)     | 391                       | 390          | 29,685                                    | 29,764        |
| Sport & Recreation                | 36  | 39           | 803          | 831          | (767)                       | (792)       | -                         | -            | 11,289                                    | 11,319        |
| Environment                       | 418   | 62           | 881          | -            | (463)                       | 62          | 30                        | 62           | -   | -             |
| <b>Total Functions/Activities</b> | <b>5,482</b>  | <b>5,594</b> | <b>5,600</b> | <b>5,321</b> | <b>(118)</b>                | <b>273</b>  | <b>921</b>                | <b>1,285</b> | <b>67,615</b>                             | <b>67,796</b> |

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 12b. Components of Functions

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\$ '000

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**The activities relating to Council functions are as follows:**

##### **ADMINISTRATION**

Governance, Administration n.e.c., Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Housing for Council Employees, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose, and Separate and Special Rates.

##### **PUBLIC ORDER & SAFETY**

Supervision of various by-laws, fire prevention, CFS and animal control

##### **HEALTH**

Food Control, operation of community health programs and health centre.

##### **ECONOMIC AFFAIRS**

Land Development activities, caravan park operations, off-street parking, tourism , boat haven operations.

##### **HOUSING & COMMUNITY AMENITIES**

Rubbish collection services, operation of tip, effluent drainage, public toilets, street cleaning and lighting, town planning, stormwater drainage, land development, maintenance of cemeteries and aged housing complex.

##### **MINING, MANUFACTURING & CONST**

Building Act requirements, quarry operations.

##### **OTHER PURPOSES**

Public Debt transactions, plant and machinery operations, depot expenses, vandalism costs, and private works.

##### **SOCIAL SECURITY & WELFARE**

Operation of Senior Citizen's centre, aged hostel, other voluntary services.

##### **TRANSPORT & COMMUNICATION**

Construction and maintenance of roads, bridges, footpaths, parking and signs

##### **SPORT & RECREATION**

Maintenance of halls, library operations, national estates, parks and gardens, recreation and sporting venues, museum.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 13. Financial Instruments

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\$ '000

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**Recognised Financial Instruments**

**Bank, Deposits at Call, Short Term Deposits**

**Accounting Policy:**

Carried at lower of cost and net realisable value; Interest is recognised when earned.

**Terms & Conditions:**

Deposits are returning fixed interest rates between 1.75% and 2% (2015: 2.05% and 2.5%).

**Carrying Amount:**

Approximates fair value due to the short term to maturity.

**Receivables**

**Rates & Associated Charges**

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

**Accounting Policy:**

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

**Terms & Conditions:**

Secured over the subject land, arrears attract interest of 0.5833% (2015: 0.6458%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

**Receivables**

**Fees & Other Charges**

**Accounting Policy:**

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

**Terms & Conditions:**

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).



## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 13. Financial Instruments (continued)

\$ '000

#### Recognised Financial Instruments

##### Receivables

##### Other Levels of Government

##### Accounting Policy:

Carried at nominal value.

##### Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

##### Carrying Amount:

Approximates fair value.

##### Receivables

##### Retirement Home Contributions

##### Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

##### Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

##### Carrying Amount:

Approximates fair value (after deduction of any allowance).

##### Liabilities

##### Creditors and Accruals

##### Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

##### Terms & Conditions:

Liabilities are normally settled on 30 day terms.

##### Carrying Amount:

Approximates fair value.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 13. Financial Instruments (continued)

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\$ '000

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#### Recognised Financial Instruments

##### Liabilities

##### Retirement Home Contributions

##### Accounting Policy:

To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

##### Terms & Conditions:

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

##### Carrying Amount:

Approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.

##### Liabilities

##### Interest Bearing Borrowings

##### Accounting Policy:

Carried at the principal amounts. Interest is charged as an expense as it accrues.

##### Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 3.5% and 6.5% (2015: 4.4% and 7.5%).

##### Carrying Amount:

Approximates fair value.

##### Liabilities

##### Finance Leases

##### Accounting Policy:

Accounted for in accordance with AASB 117.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 13. Financial Instruments (continued)

| \$ '000                            | Due<br>< 1 year | Due > 1 year<br>& ≤ 5 years | Due<br>> 5 years | Total Contractual<br>Cash Flows | Carrying<br>Values |
|------------------------------------|-----------------|-----------------------------|------------------|---------------------------------|--------------------|
| <b>2016</b>                        |                 |                             |                  |                                 |                    |
| <b>Financial Assets</b>            |                 |                             |                  |                                 |                    |
| Cash & Equivalents                 | 2,224           | -                           | -                | 2,224                           | 2,224              |
| Receivables                        | 145             | -                           | -                | 145                             | 145                |
| Other Financial Assets             | -               | 66                          | 2,849            | 2,915                           | 2,915              |
| <b>Total Financial Assets</b>      | <b>2,369</b>    | <b>66</b>                   | <b>2,849</b>     | <b>5,284</b>                    | <b>5,284</b>       |
| <b>Financial Liabilities</b>       |                 |                             |                  |                                 |                    |
| Payables                           | 311             | -                           | -                | 311                             | 311                |
| Current Borrowings                 | 169             | -                           | -                | 169                             | 169                |
| Non-Current Borrowings             | -               | 579                         | 3,072            | 3,651                           | 3,161              |
| <b>Total Financial Liabilities</b> | <b>480</b>      | <b>579</b>                  | <b>3,072</b>     | <b>4,131</b>                    | <b>3,641</b>       |

| \$ '000                            | Due<br>< 1 year | Due > 1 year<br>& ≤ 5 years | Due<br>> 5 years | Total Contractual<br>Cash Flows | Carrying<br>Values |
|------------------------------------|-----------------|-----------------------------|------------------|---------------------------------|--------------------|
| <b>2015</b>                        |                 |                             |                  |                                 |                    |
| <b>Financial Assets</b>            |                 |                             |                  |                                 |                    |
| Cash & Equivalents                 | 2,398           | -                           | -                | 2,398                           | 2,398              |
| Receivables                        | 150             | 66                          | 2,875            | 3,091                           | 3,072              |
| <b>Total Financial Assets</b>      | <b>2,548</b>    | <b>66</b>                   | <b>2,875</b>     | <b>5,489</b>                    | <b>5,470</b>       |
| <b>Financial Liabilities</b>       |                 |                             |                  |                                 |                    |
| Payables                           | 294             | -                           | -                | 294                             | 294                |
| Current Borrowings                 | 211             | -                           | -                | 211                             | 210                |
| Non-Current Borrowings             | -               | 2,680                       | 802              | 3,482                           | 3,317              |
| <b>Total Financial Liabilities</b> | <b>505</b>      | <b>2,680</b>                | <b>802</b>       | <b>3,987</b>                    | <b>3,821</b>       |

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

|                      | 30 June 2016                  |                   | 30 June 2015                  |                   |
|----------------------|-------------------------------|-------------------|-------------------------------|-------------------|
|                      | Weighted Avg<br>Interest Rate | Carrying<br>Value | Weighted Avg<br>Interest Rate | Carrying<br>Value |
| Other Variable Rates | 5.31%                         | 2,846             | 4.25%                         | 2,846             |
| Fixed Interest Rates | 4.25%                         | 484               | 5.40%                         | 681               |
|                      |                               | <b>3,330</b>      |                               | <b>3,527</b>      |

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 13. Financial Instruments (continued)

\$ '000

##### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

**Market Risk** is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

**Liquidity Risk** is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

**Interest Rate Risk** is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

#### Note 14. Commitments for Expenditure

\$ '000

Notes

2016

2015

##### **Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Audit Services                  | 50           | 66           |
| Recyclable Collection           | 343          | 21           |
| Rubbish Collection              | 923          | 59           |
| Lawn Mowing                     | 166          | 191          |
| Waste Transfer Station          | 15           | 37           |
| Employee Remuneration Contracts | 519          | 842          |
| Other                           | 113          | -            |
| Other                           | 18           | -            |
|                                 | <b>2,147</b> | <b>1,216</b> |

##### **These expenditures are payable:**

|  |              |              |
|--|--------------|--------------|
| Not later than one year                        | 787          | 80           |
| Later than one year and not later than 5 years | 1,360        | 1,136        |
| Later than 5 years                             | -            | -            |
|  | <b>2,147</b> | <b>1,216</b> |

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 15. Financial Indicators

| \$ '000 | Amounts | Indicator | Prior Periods |      |
|---------|---------|-----------|---------------|------|
|         | 2016    | 2016      | 2015          | 2014 |

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

#### 1. Operating Surplus Ratio

|                         |       |      |    |      |
|-------------------------|-------|------|----|------|
| Operating Surplus       | (118) |      |    |      |
| Total Operating Revenue | 5,482 | (2%) | 5% | (2%) |

*This ratio expresses the operating surplus as a percentage of total operating revenue.*

#### 1a. Adjusted Operating Surplus Ratio

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

|  |       |      |      |      |
|--|-------|------|------|------|
|  | (118) |      |      |      |
|  | 5,482 | (2%) | (3%) | (2%) |

#### 2. Net Financial Liabilities Ratio

|                           |         |       |       |       |
|---------------------------|---------|-------|-------|-------|
| Net Financial Liabilities | (1,196) |       |       |       |
| Total Operating Revenue   | 5,482   | (22%) | (23%) | (16%) |

*Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.*

#### 3. Asset Sustainability Ratio

|   |       |     |     |     |
|---|-------|-----|-----|-----|
| Net Asset Renewals  | 1,320 |     |     |     |
| Infrastructure & Asset Management Plan required expenditure | 1,417 | 93% | 94% | 77% |

*Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.*

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 15. Financial Indicators - Graphs (continued)

| <p><b>1. Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>-1.58%</td> </tr> <tr> <td>2015</td> <td>4.88%</td> </tr> <tr> <td>2016</td> <td>-2.15%</td> </tr> </tbody> </table>            | Year    | Ratio % | 2014 | -1.58% | 2015 | 4.88%  | 2016 | -2.15% | <p><b>Purpose of Operating Surplus Ratio</b></p> <p>This indicator is to determine the percentage the operating revenue varies from operating expenditure</p>  | <p><b>Commentary on 2015/16 Result</b></p> <p><b>2015/16 Ratio -2%</b></p> <p>In 14/15 Council received Federal Government Grants in advance, however in 15/16 this hasn't occurred, which is reflected in the adjusted operating surplus ratio.</p> |
|---|---------|---------|------|--------|------|--------|------|--------|--|--|
| Year  | Ratio % |         |      |        |      |        |      |        |  |  |
| 2014  | -1.58%  |         |      |        |      |        |      |        |  |  |
| 2015  | 4.88%   |         |      |        |      |        |      |        |  |  |
| 2016  | -2.15%  |         |      |        |      |        |      |        |  |  |
| <p><b>1a. Adjusted Operating Surplus Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>-1.58%</td> </tr> <tr> <td>2015</td> <td>-2.54%</td> </tr> <tr> <td>2016</td> <td>-2.15%</td> </tr> </tbody> </table> | Year    | Ratio % | 2014 | -1.58% | 2015 | -2.54% | 2016 | -2.15% | <p><b>Purpose of Adjusted Operating Surplus Ratio</b></p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p> | <p><b>Commentary on 2015/16 Result</b></p> <p><b>2015/16 Ratio -2%</b></p> <p>In 14/15 Council received Federal Government Grants in advance, however in 15/16 this hasn't occurred.</p>   |
| Year  | Ratio % |         |      |        |      |        |      |        |  |  |
| 2014  | -1.58%  |         |      |        |      |        |      |        |  |  |
| 2015  | -2.54%  |         |      |        |      |        |      |        |  |  |
| 2016  | -2.15%  |         |      |        |      |        |      |        |  |  |
| <p><b>2. Net Financial Liabilities Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>-16%</td> </tr> <tr> <td>2015</td> <td>-23%</td> </tr> <tr> <td>2016</td> <td>-22%</td> </tr> </tbody> </table>         | Year    | Ratio % | 2014 | -16%   | 2015 | -23%   | 2016 | -22%   | <p><b>Purpose of Net Financial Liabilities Ratio</b></p> <p>This indicator shows the significance of the net amount owed to others, compared to operating revenue</p>  | <p><b>Commentary on 2015/16 Result</b></p> <p><b>2015/16 Ratio -22%</b></p> <p>A negative Net Liabilities Ratio means that Council has more investments than borrowings.</p>   |
| Year  | Ratio % |         |      |        |      |        |      |        |  |  |
| 2014  | -16%    |         |      |        |      |        |      |        |  |  |
| 2015  | -23%    |         |      |        |      |        |      |        |  |  |
| 2016  | -22%    |         |      |        |      |        |      |        |  |  |
| <p><b>3. Asset Sustainability Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>77%</td> </tr> <tr> <td>2015</td> <td>94%</td> </tr> <tr> <td>2016</td> <td>93%</td> </tr> </tbody> </table>                 | Year    | Ratio % | 2014 | 77%    | 2015 | 94%    | 2016 | 93%    | <p><b>Purpose of Asset Sustainability Ratio</b></p> <p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>   | <p><b>Commentary on 2015/16 Result</b></p> <p><b>2015/16 Ratio 93%</b></p> <p>Council is currently reviewing all of its asset management plan and this ratio will change into the future.</p>  |
| Year  | Ratio % |         |      |        |      |        |      |        |  |  |
| 2014  | 77%     |         |      |        |      |        |      |        |  |  |
| 2015  | 94%     |         |      |        |      |        |      |        |  |  |
| 2016  | 93%     |         |      |        |      |        |      |        |  |  |

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2016

#### Note 16. Uniform Presentation of Finances

| \$ '000  | 2016         | 2015         |
|--|--------------|--------------|
| <p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p> |              |              |
| Income   | 5,482        | 5,594        |
| <i>less</i> Expenses   | (5,600)      | (5,321)      |
| <b>Operating Surplus / (Deficit)</b>   | <b>(118)</b> | <b>273</b>   |
| <b><i>less</i> Net Outlays on Existing Assets</b>  |              |              |
| Capital Expenditure on Renewal and Replacement of Existing Assets  | 1,404        | 1,451        |
| <i>less</i> Depreciation, Amortisation and Impairment  | (1,633)      | (1,572)      |
| <i>less</i> Proceeds from Sale of Replaced Assets  | (84)         | (117)        |
| <b>Subtotal</b>  | <b>(313)</b> | <b>(238)</b> |
| <b><i>less</i> Net Outlays on New and Upgraded Assets</b>  |              |              |
| Capital Expenditure on New and Upgraded Assets<br>(including Investment Property & Real Estate Developments)   | 322          | 233          |
| <i>less</i> Amounts Received Specifically for New and Upgraded Assets  | (137)        | (180)        |
| <i>less</i> Proceeds from Sale of Surplus Assets<br>(including Investment Property & and Real Estate Developments)   | -            | -            |
| <b>Subtotal</b>  | <b>185</b>   | <b>53</b>    |
| <b>Net Lending / (Borrowing) for Financial Year</b>  | <b>10</b>    | <b>458</b>   |

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2016

Note 17. Superannuation

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\$ '000

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The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

**Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2015/16; 9.50% in 2014/15). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

**Salarylink (Defined Benefit Fund) Members**

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2014/15) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

**Contributions to Other Superannuation Schemes**

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.



## Note 18. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge & is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

### 1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

At reporting date, Council controlled xxx km of road reserves of average width xx metres.

### 2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

### 3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$2,200,000 (2015: \$2,948,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

### 4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 0 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

## Note 19. Events after the Balance Sheet Date

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Events that occur after the reporting date of 30 June 2016, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 25/11/16.

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

Kingston District Council

**General Purpose Financial Statements**  
for the year ended 30 June 2016

**Auditor's Report - Financial Statements**

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Kingston District Council

**General Purpose Financial Statements**  
for the year ended 30 June 2016

**Auditor's Report - Financial Statements**

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Kingston District Council

**General Purpose Financial Statements**  
for the year ended 30 June 2016

**Auditor's Report - Internal Controls**

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Kingston District Council

**General Purpose Financial Statements**  
for the year ended 30 June 2016

**Auditor's Report - Internal Controls**

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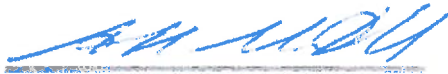
## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2016

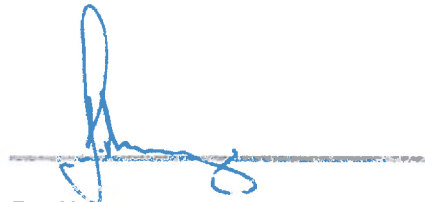
### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Kingston District Council for the year ended 30 June 2016, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



Andrew MacDonald  
CHIEF EXECUTIVE OFFICER



Des Murray  
PRESIDING MEMBER, AUDIT COMMITTEE

Date: 11 November 2016.

## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Statement by Auditor

I confirm that, for the audit of the financial statements of Kingston District Council for the year ended 30 June 2016, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



Tim Mauhlausler  
Galpins Accountants, Auditors & Business Consultants

Dated this 24<sup>th</sup> day of November 2016.

