

# Kingston District Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Kingston District Council

## General Purpose Financial Statements for the year ended 30 June 2017

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# Kingston District Council

## General Purpose Financial Statements for the year ended 30 June 2017

### Certification of Financial Statements

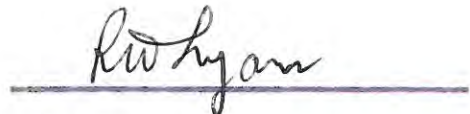
**We have been authorised by the Council to certify the financial statements in their final form.**

**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 2017 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: 24 November 2017

# Kingston District Council

## Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	2017	2016
<b>Income</b>			
Rates Revenues	2a	4,233	3,941
Statutory Charges	2b	78	85
User Charges	2c	162	172
Grants, Subsidies and Contributions	2g	1,948	921
Investment Income	2d	37	44
Reimbursements	2e	423	251
Other Income	2f	87	68
<b>Total Income</b>		<b>6,968</b>	<b>5,482</b>
<b>Expenses</b>			
Employee Costs	3a	1,566	1,503
Materials, Contracts & Other Expenses	3b	3,233	2,393
Depreciation, Amortisation & Impairment	3c	1,889	1,633
Finance Costs	3d	32	71
<b>Total Expenses</b>		<b>6,720</b>	<b>5,600</b>
<b>Operating Surplus / (Deficit)</b>		<b>248</b>	<b>(118)</b>
Asset Disposal & Fair Value Adjustments	4	(161)	(5)
Amounts Received Specifically for New or Upgraded Assets	2g	40	137
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>127</b>	<b>14</b>
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	23,473	-
<b>Total Other Comprehensive Income</b>		<b>23,473</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>23,600</b>	<b>14</b>

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

# Kingston District Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5a	3,079	2,224
Trade & Other Receivables	5b	258	145
Inventories	5c	63	98
<b>Total Current Assets</b>		<b>3,400</b>	<b>2,467</b>
<b>Non-Current Assets</b>			
Financial Assets	6a	2,898	2,915
Infrastructure, Property, Plant & Equipment	7a	84,798	62,169
Other Non-Current Assets	6b	122	66
<b>Total Non-Current Assets</b>		<b>87,818</b>	<b>65,150</b>
<b>TOTAL ASSETS</b>		<b>91,218</b>	<b>67,617</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	533	318
Borrowings	8b	80	169
Provisions	8c	300	348
<b>Total Current Liabilities</b>		<b>913</b>	<b>835</b>
<b>Non-Current Liabilities</b>			
Borrowings	8b	3,080	3,161
Provisions	8c	96	92
<b>Total Non-Current Liabilities</b>		<b>3,176</b>	<b>3,253</b>
<b>TOTAL LIABILITIES</b>		<b>4,089</b>	<b>4,088</b>
<b>Net Assets</b>		<b>87,129</b>	<b>63,529</b>
<b>EQUITY</b>			
Accumulated Surplus		24,683	24,717
Asset Revaluation Reserves	9a	60,897	37,424
Other Reserves	9b	1,549	1,388
<b>Total Council Equity</b>		<b>87,129</b>	<b>63,529</b>

# Kingston District Council

## Statement of Changes in Equity for the year ended 30 June 2017

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
<b>2017</b>					
<b>Balance at the end of previous reporting period</b>		24,717	37,424	1,388	63,529
<b>a. Net Surplus / (Deficit) for Year</b>		127	-	-	127
<b>b. Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	23,473	-	23,473
<b>Other Comprehensive Income</b>		-	23,473	-	23,473
<b>Total Comprehensive Income</b>		127	23,473	-	23,600
<b>c. Transfers between Reserves</b>		(161)	-	161	-
<b>Balance at the end of period</b>		24,683	60,897	1,549	87,129
<b>2016</b>					
<b>Balance at the end of previous reporting period</b>		24,767	37,424	1,324	63,515
<b>a. Net Surplus / (Deficit) for Year</b>		14	-	-	14
<b>Total Comprehensive Income</b>		14	-	-	14
<b>b. Transfers between Reserves</b>		(64)	-	64	-
<b>Balance at the end of period</b>		24,717	37,424	1,388	63,529

# Kingston District Council

## Statement of Cash Flows

for the year ended 30 June 2017

\$ '000	Notes	2017	2016
<b>Cash Flows from Operating Activities</b>			
<u>Receipts</u>			
Rates Receipts		4,204	3,940
Statutory Charges		78	85
User Charges		162	172
Grants, Subsidies and Contributions (operating purpose)		1,948	921
Investment Receipts		37	44
Reimbursements		423	251
Other Receipts		407	517
<u>Payments</u>			
Payments to Employees		(1,605)	(1,516)
Payments for Materials, Contracts & Other Expenses		(3,394)	(2,818)
Finance Payments		(37)	(77)
<b>Net Cash provided by (or used in) Operating Activities</b>	11b	<b>2,223</b>	<b>1,519</b>
<b>Cash Flows from Investing Activities</b>			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		40	137
Sale of Replaced Assets		45	84
Repayments of Loans by Community Groups		24	9
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(853)	(1,404)
Expenditure on New/Upgraded Assets		(454)	(322)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(1,198)</b>	<b>(1,496)</b>
<b>Cash Flows from Financing Activities</b>			
<u>Receipts</u>			
Proceeds from Borrowings		-	15
<u>Payments</u>			
Repayments of Borrowings		(170)	(212)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(170)</b>	<b>(197)</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>855</b>	<b>(174)</b>
plus: <b>Cash &amp; Cash Equivalents at beginning of period</b>	11	<b>2,224</b>	<b>2,398</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	11	<b>3,079</b>	<b>2,224</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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n/a - not applicable



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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, two quarters of the 2013/14 allocation: \$435,000, again two quarters of the 2017/18 allocation: \$423,464. 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 2016/17 financial year. In the month of June 2017 two quarters of the 2017/18 allocation: being \$423,464 was paid to Council.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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

Plant, Furniture & Equipment	\$10,000
Buildings	\$10,000
Park Furniture & Ancillary	\$10,000

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 1. Summary of Significant Accounting Policies (continued)

Civil Infrastructure	\$10,000	Fitout & Fittings	15 to 20 years
Recreational	\$10,000	Floor coverings	10 to 20 years
Stormwater Drainage	\$10,000	Electrical Services	20 years
Marine Structures	\$10,000	Mechanical Services	30 years
Sewer Mains	\$10,000	Security Services	40 years
Kerbs	\$10,000	Transport Services	20 years
Pathways	\$10,000		
Roadways	\$10,000	<i>Park Furniture &amp; Ancillary</i>	
Car Parks	\$10,000	Bins	10 to 15 years
Bridges & Major Culverts	\$10,000	Benches	15 years
Sewer Pump Station & Treatment Plant	\$10,000	Picnic Sets	30 years
		BBQ	20 years

#### 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*

Structure	80 to 100 years
Sub- Structure	80,85 to 100 years
Roof	65 years

#### *Civil Infrastructure*

Structures	40 to 80 years
Lighting	40 years
Miscellaneous Assets	25 to 40 years

#### *Recreational*

Play Equipment	25 years
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#### *Stormwater Drainage*

Sump Bores	80 years
Pipes	100 years
Pits	80 years
Weir Boards	70 years

#### *Marine Structures*

(Piers) Pontoons	30 years
Boat Ramps	60 years
Sea Walls	250 years
Pathways	100 years
Groynes	100 years

#### *Sewer Pump Station & Treatment Plant*

Pumps	15 to 20 years
Pipework	50 years
Valves	25 years
Fittings	5 to 80 years
Structure	20 to 80 years
Lagoons	100 years
Irrigation	15 to 80 years

#### *Sewer Mains*

Mains	80 years
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#### *Kerbs*

Item	80 years
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#### *Pathways*

Surface	100 years
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#### *Roadways*

Formation	1000 years
Unsealed Pavement	20 years

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

Sealed Pavement & Sub Base	250 years
Sealed Pavement Base	100 years
Surface	20 to 30 years
<i>Car Parks</i>	
Pavement	100 years
Surface	20 years
<i>Bridges &amp; Major Culverts</i>	
Structure	80 years
Surface	50 years
Rails	50 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.

**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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

government guaranteed securities rates with similar maturity terms.

Weighted avg. discount rate	1.50% (2016, 1.75%)
Weighted avg. settlement period	1 years (2016, 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

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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

- 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.

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*

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

- 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]

**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 2017

### Note 2. Income

\$ '000	Notes	2017	2016
<b>(a). Rates Revenues</b>			
<b>General Rates</b>			
General Rates		3,250	3,153
Less: Mandatory Rebates		(21)	(18)
Less: Discretionary Rebates, Remissions & Write Offs		(19)	(34)
<b>Total General Rates</b>		<b>3,210</b>	<b>3,101</b>
<b>Other Rates (Including Service Charges)</b>			
Natural Resource Management Levy		246	89
Waste Collection		396	375
Community Wastewater Management Systems		368	364
<b>Total Other Rates</b>		<b>1,010</b>	<b>828</b>
<b>Other Charges</b>			
Penalties for Late Payment		8	8
Legal & Other Costs Recovered		5	4
<b>Total Other Charges</b>		<b>13</b>	<b>12</b>
<b>Total Rates Revenues</b>		<b>4,233</b>	<b>3,941</b>
<b>(b). Statutory Charges</b>			
Development Act Fees		14	18
Town Planning Fees		22	28
Health & Septic Tank Inspection Fees		19	17
Animal Registration Fees & Fines		16	15
Other Registration Fees		1	1
Other		6	6
<b>Total Statutory Charges</b>		<b>78</b>	<b>85</b>
<b>(c). User Charges</b>			
Cemetery/Crematoria Fees		19	26
Hall & Equipment Hire		4	5
Property Lease		11	15
Sales - General		2	2
Sundry		4	2
Sangarb Dump Fees		15	13
Boat Ramp Fees		30	36
Aero Fees		8	5
Caravan Fees		54	54
Hire Fees		7	4
Truck Wash Income		8	10
<b>Total User Charges</b>		<b>162</b>	<b>172</b>



# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 2. Income (continued)

\$ '000	Notes	2017	2016
<b>(d). Investment Income</b>			
Interest on Investments			
- Local Government Finance Authority		33	39
- Loans to Community Groups		4	5
<b>Total Investment Income</b>		<b>37</b>	<b>44</b>
<b>(e). Reimbursements</b>			
Roadworks		22	30
Private Works		24	17
Joint Undertakings		110	122
Diesel Fuel Rebate		12	30
Resource Sharing Agreements		22	-
Jetty Repairs		194	-
Other		39	52
<b>Total Reimbursements</b>		<b>423</b>	<b>251</b>
<b>(f). Other Income</b>			
Rebates Received		45	-
Sundry		20	68
Risk Services Award		22	-
<b>Total Other Income</b>		<b>87</b>	<b>68</b>
<b>(g). Grants, Subsidies, Contributions</b>			
Amounts Received Specifically for New or Upgraded Assets		40	137
Other Grants, Subsidies and Contributions		50	4
Untied - Financial Assistance Grant		782	434
Roads to Recovery		649	452
Library and Communications		3	-
Sundry		41	31
Individually Significant Item - Additional Grants Commission Payment (refer below)		423	-
<b>Total Grants, Subsidies, Contributions</b>		<b>1,988</b>	<b>1,058</b>
The functions to which these grants relate are shown in Note 12.			
<b>(i) Sources of grants</b>			
Commonwealth Government		649	574
State Government		690	484
Other		649	-
<b>Total</b>		<b>1,988</b>	<b>1,058</b>
<b>(ii) Individually Significant Items</b>			
Grant Commission (FAG) Grant Recognised as Income		423	-

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 3. Expenses

\$ '000	Notes	2017	2016
<b>(a). Employee Costs</b>			
Salaries and Wages		1,204	1,135
Employee Leave Expense		230	241
Superannuation - Defined Contribution Plan Contributions	18	111	118
Superannuation - Defined Benefit Plan Contributions	18	27	19
Workers' Compensation Insurance		69	64
Other		10	9
Less: Capitalised and Distributed Costs		(85)	(83)
<b>Total Operating Employee Costs</b>		<b>1,566</b>	<b>1,503</b>
Total Number of Employees (full time equivalent at end of reporting period)		21	19
<b>(b). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports		11	16
Elected Members' Expenses		93	86
Election Expenses		1	1
Operating Lease Rentals - Cancellable Leases		-	4
<b>Subtotal - Prescribed Expenses</b>		<b>105</b>	<b>107</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		1,786	1,254
Energy		87	80
Maintenance		93	83
Legal Expenses		36	13
Levies Paid to Government - NRM levy		251	88
Levies - Other		14	11
Parts, Accessories & Consumables		83	65
Professional Services		194	123
Sundry		89	93
Joint Undertakings		107	122
Insurance		133	153
Fuel		75	79
Contributions		105	107
Water		18	15
Other		57	-
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>3,128</b>	<b>2,286</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>3,233</b>	<b>2,393</b>

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 3. Expenses (continued)

\$ '000	Notes	2017	2016
<b>(c). Depreciation, Amortisation and Impairment</b>			
<b>(i) Depreciation and Amortisation</b>			
Buildings & Other Structures		522	444
Infrastructure		1,047	884
- CWMS		144	121
Plant & Equipment		150	157
Furniture & Fittings		13	13
Minor Plant & Equipment		9	10
Office Equipment		4	4
<b>Subtotal</b>		<b>1,889</b>	<b>1,633</b>
<b>(ii) Impairment</b>			
Nil			
<b>Total Depreciation, Amortisation and Impairment</b>		<b>1,889</b>	<b>1,633</b>
<b>(d). Finance Costs</b>			
Interest on Borrowings		32	71
<b>Total Finance Costs</b>		<b>32</b>	<b>71</b>

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

#### Infrastructure, Property, Plant & Equipment

##### Assets Renewed or Directly Replaced

Proceeds from Disposal	45	84
Less: Carrying Amount of Assets Sold	(206)	(89)
<b>Gain (Loss) on Disposal</b>	<b>(161)</b>	<b>(5)</b>
<b>Net Gain (Loss) on Disposal or Revaluation of Assets</b>	<b>(161)</b>	<b>(5)</b>

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 5. Current Assets

\$ '000	Notes	2017	2016
<b>(a). Cash &amp; Cash Equivalents</b>			
Cash on Hand at Bank		212	145
Deposits at Call		2,867	2,079
<b>Total Cash &amp; Cash Equivalents</b>		<b>3,079</b>	<b>2,224</b>
<b>(b). Trade &amp; Other Receivables</b>			
Rates - General & Other		106	77
Accrued Revenues		7	12
Debtors - General		93	32
Prepayments		35	-
Loans to Community Organisations		17	24
<b>Total Trade &amp; Other Receivables</b>		<b>258</b>	<b>145</b>
<b>(c). Inventories</b>			
Stores & Materials		63	98
<b>Total Inventories</b>		<b>63</b>	<b>98</b>

### Note 6. Non-Current Assets

#### (a). Financial Assets

##### Receivables

Loans to Community Organisations and Other External Organisations	2,898	2,915
<b>Total Financial Assets</b>	<b>2,898</b>	<b>2,915</b>

#### (b). Other Non-Current Assets

Capital Works-in-Progress	122	66
<b>Total Other Non-Current Assets</b>	<b>122</b>	<b>66</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 2017

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

\$ '000	Fair Value Level	Asset Movements during the Reporting Period										as at 30/6/2017							
		as at 30/6/2016					Asset Additions					Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Impairment	Carrying Value	
		At Fair Value	At Cost	Accumulated Dep'n	Impairment	Carrying Value	New / Upgrade	Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers								
Land	2	10,930	-	-	-	10,930	-	-	-	-	-	-	-	-	-	9,324	-	-	9,324
Buildings & Other Structures	3	8,458	1,044	2,795	-	6,707	410	-	(522)	7,463	-	-	-	-	-	-	-	-	10,780
Buildings & Other Structures	2	12,626	2	5,165	-	7,463	-	-	-	(7,463)	-	-	-	-	-	-	-	-	-
Infrastructure	3	33,927	4,815	8,900	-	29,842	-	699	(1,047)	-	-	-	10,407	-	-	-	-	-	39,901
- CWMS		-	6,926	1,663	-	5,263	-	-	(144)	-	-	-	1,460	-	-	-	-	-	6,579
Plant & Equipment		-	3,196	1,389	-	1,807	-	98	(150)	-	(61)	-	356	-	-	-	-	-	2,050
Furniture & Fittings		-	246	183	-	63	-	(50)	(13)	-	-	-	-	-	-	-	-	-	-
Minor Plant & Equipment		-	209	151	-	58	-	(49)	(9)	-	-	-	-	-	-	-	-	-	-
Office Equipment		-	359	323	-	36	-	(46)	(4)	-	-	-	-	-	-	-	-	-	30
Marine Structures	3	-	-	-	-	-	44	-	-	-	-	-	16,134	-	-	-	-	-	16,134
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>65,941</b>	<b>16,797</b>	<b>20,569</b>	-	<b>62,169</b>	<b>454</b>	<b>797</b>	<b>(1,889)</b>	-	<b>(206)</b>	<b>(1,889)</b>	<b>(4,884)</b>	-	-	<b>9,324</b>	<b>17,267</b>	-	<b>84,798</b>
<b>Comparatives</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>(1,633)</b>	-	<b>(88)</b>	<b>(1,633)</b>	-	-	-	<b>16,797</b>	<b>20,569</b>	-	<b>62,169</b>

Note 7a (ii). Investment Property

Nil

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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.

Buildings previously classified as level 3 have been reclassified as level 2 as the latest revaluation has used unobservable inputs, such as estimates of quantities of materials and labour, residual values and useful lives, in determining the valuation.

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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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.D5 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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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 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.

**Buildings & Other Structures**

Buildings and other structures were revalued as at 30 June 2017 by Assetic Australia Pty Ltd

**Infrastructure**

*Transportation Assets*

Transport Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd

*Civil Assets*

Civil Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd

*Stormwater Drainage*

Stormwater Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd

*Community Wastewater Management System Infrastructure*

Community Wastewater Management System Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd

**Plant, Furniture & Equipment**

These assets are recognised on the cost basis.

**Marine Structures**

New assets discovered via revaluation and asset management system upgrade process and reclassification of some buildings by the Valuer.



# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 8. Liabilities

\$ '000	Notes	2017 Current	2017 Non Current	2016 Current	2016 Non Current
<b>(a). Trade and Other Payables</b>					
Goods & Services		472	-	257	-
Payments Received in Advance		17	-	13	-
Accrued Expenses - Employee Entitlements		12	-	7	-
Accrued Expenses - Finance Costs		29	-	34	-
Accrued Expenses - Other		3	-	7	-
<b>Total Trade and Other Payables</b>		<b>533</b>	<b>-</b>	<b>318</b>	<b>-</b>
<b>(b). Borrowings</b>					
<b>Borrowings</b>		<b>80</b>	<b>3,080</b>	<b>169</b>	<b>3,161</b>
<b>Total Borrowings</b>		<b>80</b>	<b>3,080</b>	<b>169</b>	<b>3,161</b>
All interest bearing liabilities are secured over the future revenues of the Council					
<b>(c). Provisions</b>					
<b>Employee Entitlements (including oncosts)</b>		<b>300</b>	<b>96</b>	<b>348</b>	<b>92</b>
<b>Total Provisions</b>		<b>300</b>	<b>96</b>	<b>348</b>	<b>92</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 9. Reserves

\$ '000	1/7/2016	Increments (Decrements)	Transfers	Impairments	30/6/2017
<b>(a). Asset Revaluation Reserve</b>					
Land	7,500	(1,606)	-	-	5,894
Buildings & Other Structures	15,820	(3,278)	-	-	12,542
Infrastructure	-	10,407	-	-	10,407
- CWMS	-	1,460	-	-	1,460
Plant & Equipment	-	356	-	-	356
Furniture & Fittings	1,777	-	-	-	1,777
Office Equipment	3,783	-	-	-	3,783
Sewerage	8,544	-	-	-	8,544
Marine Structures	-	16,134	-	-	16,134
<b>Total Asset Revaluation Reserve</b>	<b>37,424</b>	<b>23,473</b>	<b>-</b>	<b>-</b>	<b>60,897</b>
<b>Comparatives</b>	<b>37,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,424</b>

\$ '000	1/7/2016	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2017
<b>(b). Other Reserves</b>					
LSL & AL	158	-	-	-	158
IT & T	9	-	-	-	9
Roadwork Compensation	132	2	-	-	134
Old School Oval Upgrade	50	1	-	-	51
Rubble Reserve	118	1	-	-	119
Boat Haven / Ramp	44	-	-	-	44
Kingston Jetty	20	1	-	-	21
Kingston CWMS	640	109	-	-	749
Cape Jaffa Maintenance Reserve	127	45	-	-	172
Kingston Grazing Committee	90	2	-	-	92
<b>Total Other Reserves</b>	<b>1,388</b>	<b>161</b>	<b>-</b>	<b>-</b>	<b>1,549</b>
<b>Comparatives</b>	<b>1,324</b>	<b>154</b>	<b>(90)</b>	<b>-</b>	<b>1,388</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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 9. Reserves (continued)

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\$ '000

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(b). Other 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 2017

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

\$ '000	Notes	2017	2016
<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	3,079	2,224
Less: Short-Term Borrowings	8	-	-
<b>Balances per Statement of Cash Flows</b>		<b>3,079</b>	<b>2,224</b>

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

<b>Net Surplus/(Deficit)</b>		<b>127</b>	<b>14</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		1,889	1,633
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(40)	(137)
Net (Gain) Loss on Disposals		161	5
		<b>2,137</b>	<b>1,515</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		(120)	93
Net (Increase)/Decrease in Inventories		35	(93)
Net Increase/(Decrease) in Trade & Other Payables		215	(32)
Net Increase/(Decrease) in Unpaid Employee Benefits		(44)	36
<b>Net Cash provided by (or used in) operations</b>		<b>2,223</b>	<b>1,519</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.

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. 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 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016			
<b>\$ '000</b>													
Business Undertakings	568	574	613	568	(45)	6	-	-	3,744	2			
Community Services	30	35	203	205	(173)	(170)	-	-	-	-			
Culture	5	1	51	50	(46)	(49)	3	-	-	-			
Economic Development	51	1	63	75	(12)	(74)	50	-	-	-			
Environment	256	89	489	328	(233)	(239)	-	-	-	-			
Recreation	228	42	1,808	1,043	(1,580)	(1,001)	-	-	-	-			
Regulatory Services	82	94	217	221	(135)	(127)	1	-	-	-			
Plant Hire & Depot/Indirect	21	46	50	54	(29)	(8)	-	-	-	-			
Administration	4,188	3,607	152	54	4,036	3,553	-	-	6,866	5,314			
Public Order & Safety	-	-	27	34	(27)	(34)	-	-	332	263			
Health	15	14	8	10	7	4	-	-	865	670			
Economic Affairs	-	-	-	-	-	-	-	-	1,950	1,511			
Housing & Community Amenities	-	-	-	-	-	-	-	-	9,263	7,162			
Other Purposes NEC	-	-	-	-	-	-	-	-	12,963	10,020			
Social Security & Welfare	-	-	-	-	-	-	-	-	2,192	1,701			
Transport & Communication	1,108	589	2,478	2,242	(1,370)	(1,653)	1,894	891	38,400	29,687			
Sport & Recreation	-	-	-	-	(145)	(326)	-	-	-	-			
Waste Management	416	390	561	716	-	-	-	30	14,643	11,287			
<b>Total Functions/Activities</b>	<b>6,968</b>	<b>5,482</b>	<b>6,720</b>	<b>5,600</b>	<b>248</b>	<b>(118)</b>	<b>1,948</b>	<b>921</b>	<b>91,218</b>	<b>67,617</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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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**

Governance, Administration n.e.c., Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, 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

**COMMUNITY SUPPORT**

Maintenance of halls, Senior Citizens centre

**PLANT HIRE & DEPOT**

Plant & Depot operations

**ENVIRONMENT**

Street cleaning and lighting, Stormwater drainage

**ECONOMIC DEVELOPMENT**

Land Development activities, caravan park operations, tourism

**COMMUNITY AMENITIES**

Public toilets, maintenance of cemeteries

**REGULATORY SERVICES**

Building Act requirements, dog control, health inspection

**BUSINESS UNDERTAKINGS**

Effluent drainage, Land Development, Caravan parks, Truckwash

**WASTE MANAGEMENT**

Rubbish Collection Services, Green waste, Waste Transfer Station operation

**TRANSPORT & COMMUNICATION**

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

**RECREATION**

Parks and gardens, recreation and sporting venues, Foreshore/ Marine operations, museum

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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 1.50% and 1.75% (2016: 1.75% and 2%).

**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% (2016: 0.6042%). 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).

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

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\$ '000

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**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.



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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% (2016: 3.5% and 6.5%).

**Carrying Amount:**

Approximates fair value.

**Liabilities**

**Finance Leases**

**Accounting Policy:**

Accounted for in accordance with AASB 117.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2017</b>					
<b>Financial Assets</b>					
Cash & Equivalents	3,079	-	-	3,079	3,079
Receivables	100	-	2,915	3,015	3,015
Other Financial Assets	-	-	-	-	-
<b>Total Financial Assets</b>	<b>3,179</b>	<b>-</b>	<b>2,915</b>	<b>6,094</b>	<b>6,094</b>
<b>Financial Liabilities</b>					
Payables	521	-	-	521	521
Current Borrowings	60	20	-	80	80
Non-Current Borrowings	-	231	2,849	3,080	3,080
<b>Total Financial Liabilities</b>	<b>581</b>	<b>251</b>	<b>2,849</b>	<b>3,681</b>	<b>3,681</b>

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying 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>

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

	30 June 2017		30 June 2016	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	5.37%	314	5.31%	2,846
Fixed Interest Rates	3.75%	2,846	4.25%	484
		<b>3,160</b>		<b>3,330</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 2017

### 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	2017	2016
<b>Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:</b>			
Audit Services		34	50
Recyclable Collection		257	343
Rubbish Collection		693	923
Lawn Mowing		220	166
Waste Transfer Station		-	15
Employee Remuneration Contracts		2,003	519
Other Maintenance Contracts		20	-
Cleaning Services		59	113
Accounting Services		25	18
Caravan Park Management		213	-
		<u>3,524</u>	<u>2,147</u>
<b>These expenditures are payable:</b>			
Not later than one year		1,161	787
Later than one year and not later than 5 years		2,363	1,360
Later than 5 years		-	-
		<u>3,524</u>	<u>2,147</u>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 15. Financial Indicators

\$ '000	Amounts	Indicator	Prior Periods	
	2017	2017	2016	2015

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	248			
Total Operating Revenue	6,968	4%	(2%)	5%

*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.

	(175)			
	6,968	(3%)	(2%)	(3%)

**2. Net Financial Liabilities Ratio**

Net Financial Liabilities	(2,146)			
Total Operating Revenue	6,968	(31%)	(22%)	(23%)

*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	808			
Infrastructure & Asset Management Plan required expenditure	1,417	57%	93%	94%

*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 2017

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>2015</td> <td>5%</td> </tr> <tr> <td>2016</td> <td>-2%</td> </tr> <tr> <td>2017</td> <td>4%</td> </tr> </tbody> </table>	Year	Ratio %	2015	5%	2016	-2%	2017	4%	<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 2016/17 Result</b></p> <p><b>2016/17 Ratio 4%</b></p> <p>In 2016/17 Council received Federal Government Grants in advance.</p>
Year	Ratio %									
2015	5%									
2016	-2%									
2017	4%									
<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>2015</td> <td>-3%</td> </tr> <tr> <td>2016</td> <td>-2%</td> </tr> <tr> <td>2017</td> <td>-3%</td> </tr> </tbody> </table>	Year	Ratio %	2015	-3%	2016	-2%	2017	-3%	<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 2016/17 Result</b></p> <p><b>2016/17 Ratio -3%</b></p> <p>In 2016/17 Council received Federal Government Grants in advance.</p>
Year	Ratio %									
2015	-3%									
2016	-2%									
2017	-3%									
<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>2015</td> <td>-23%</td> </tr> <tr> <td>2016</td> <td>-22%</td> </tr> <tr> <td>2017</td> <td>-31%</td> </tr> </tbody> </table>	Year	Ratio %	2015	-23%	2016	-22%	2017	-31%	<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 2016/17 Result</b></p> <p><b>2016/17 Ratio -31%</b></p> <p>A negative Net Liabilities Ratio means that Council has more investments than borrowings.</p>
Year	Ratio %									
2015	-23%									
2016	-22%									
2017	-31%									
<p><b>3. Asset Sustainability Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>94%</td> </tr> <tr> <td>2016</td> <td>93%</td> </tr> <tr> <td>2017</td> <td>57%</td> </tr> </tbody> </table>	Year	Ratio %	2015	94%	2016	93%	2017	57%	<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 2016/17 Result</b></p> <p><b>2016/17 Ratio 57%</b></p> <p>Council will be adopting a new asset management plan in 2017/18 and this ratio will change into the future. Significant storm damage resulted in a delay of renewal programs.</p>
Year	Ratio %									
2015	94%									
2016	93%									
2017	57%									

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 16. Uniform Presentation of Finances

\$ '000	2017	2016
<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	6,968	5,482
less Expenses	(6,720)	(5,600)
<b>Operating Surplus / (Deficit)</b>	<b>248</b>	<b>(118)</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	853	1,404
less Depreciation, Amortisation and Impairment	(1,889)	(1,633)
less Proceeds from Sale of Replaced Assets	(45)	(84)
<b>Subtotal</b>	<b>(1,081)</b>	<b>(313)</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	454	322
less Amounts Received Specifically for New and Upgraded Assets	(40)	(137)
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
<b>Subtotal</b>	<b>414</b>	<b>185</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>915</b>	<b>10</b>

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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 2016/17; 9.50% in 2015/16). 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 2015/16) 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.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

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.

**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 (2016: \$2,200,000) 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 2017, 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 20/11/17.

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



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

Note 20. Related Party Transactions

\$ '000

2017

Key Management Personnel

**Transactions with Key Management Personnel**

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the *Local Government Act 1999*. In all, 12 persons were paid the following total compensation:

**The compensation paid to Key Management Personnel comprises:**

Short-Term Employee Benefits	345,788
Post Employment Benefits	43,416
Other Long Term Benefits	5,544
<b>Total</b>	<u>394,748</u>

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

**Receipts from Key Management Personnel comprise:**

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received the following amounts in total:

Planning and Building Application Fees	1,690
Private Works	1,211
<b>Total</b>	<u>2,901</u>

Key Management Personnel or close family members (including related parties) lodged a total of 2 planning and building applications during the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$1,690.54.

Close Family Members of Key Management Personnel (including related parties) engaged Council for Private Works. Total fees for this private works amounted to \$1211.39 and was paid by 30th June 2017.

Key Management Personnel or close family members (including related parties) received Discretionary rate rebate during the year, for a Community Group that they are a member of. In accordance with the Local Government Act 1999, these person's declared conflicts of interest and took no part in the assessment or approval process for this rebate. Total rebates amounted to \$9,919.90.

Key Management Personnel or close family members (including related parties) received Community Assistance Grants for two Community Groups that they are a member of. Total of these Grants amounted to \$1,400.00.

Key Management Personnel or close family members (including related parties) received a Marina Berth rebate during the year. In accordance with the Local Government Act 1999, this person declared a conflict of interest and took no part in the assessment process for this rebate. Total rebate received amounted to \$375.95.

Close Family Members of Key Management Personnel (including related parties) work for a lawn mowing contractor whom is contracted for a three year term, concluding 30 June 2019. Total payments to the contractor amounted to \$30,888.00.

Close Family Members of Key Management Personnel (including related parties) own a retail business from which various supplies were purchased as required on a 30 day account. Total purchases amounted to \$18,831.00.

Key Management Personnel or close family members (including related parties) operates a lawn mowing business who is contracted until 30 June 2019. This contract was awarded through a competitive tender process. Total payments amounted to \$92,310.60.

Kingston District Council

**General Purpose Financial Statements**  
for the year ended 30 June 2017

**Auditor's Report - Financial Statements**

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Simon Smith *FCPA*  
David Sullivan *CPA*  
Jason Seidel *CA*  
Renaë Nicholson *CA*  
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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Kingston District Council

### Report on the Financial Report

#### Audit Opinion

We have audited the accompanying financial report of the Kingston District Council (the Council), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the Kingston District Council.

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Kingston District Council as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

#### Basis for Audit Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

#### The Kingston District Council's Responsibility for the Financial Report

The Kingston District Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**



**Tim Muhlhausler** CA Registered Company Auditor  
Partner

24 / 11 / 2017

David Chant FCPA  
Simon Smith FCPA  
David Sullivan CPA  
Jason Seidel CA  
Renaë Nicholson CA  
Tim Muhlhausler CA  
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE THE KINGSTON DISTRICT COUNCIL

**To the Members of the Kingston District Council**

**Independent Assurance report on the Internal Controls of the Kingston District Council**

### Opinion

We have audited the compliance of the Kingston District Council (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

In our opinion, the Kingston District Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2016 to 30 June 2017.

### Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

### The Council's Responsibility for Internal controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

### Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design and implementation of controls on a sample basis based on the assessed risks.

### **Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

### **Limitation of Use**

This report has been prepared for the members of the Council in Accordance with Section 129 of the Local Government Act 1999 in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than which it was prepared.

### **GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**



**Tim Muhlhausler** CA Registered Company Auditor  
Partner

24 / 11 / 2017

## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2017

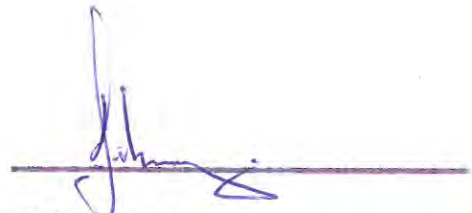
#### Certification of Auditor Independence

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 2017, the Council's Auditor, GALPINS 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: 20 November 2017

**KINGSTON DISTRICT COUNCIL**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2017**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of the Kingston District Council for the year ended 30 June 2017, 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 Muhlhausler**

**GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**

Dated this 24<sup>th</sup> day of November 2017