



We are responding to our community's changing needs, expectations and lifestyles

Photograph: An aerial view of Mordialloc Creek, foreshore and surrounding areas.

Financial Statements

Kingston City Council for the year ended 30 June 2011

Table of contents

	Page
Financial Statements	
Comprehensive Income Statement	155
Balance Sheet	156
Statement of Changes in Equity	157
Cash Flow Statement	158
Notes to the Financial Statements	
Note 1	Significant Accounting Policies 159
Note 2	Underlying Result 165
Note 3	Rates and Charges 165
Note 4	Grants 166
Note 5	Contributions 169
Note 6	User Fees, Charges & Fines 169
Note 7	Other Income 170
Note 8	Disposal of Property, Infrastructure Plant & Equipment (Gain/Loss) 170
Note 9	Employee Benefits 170
Note 10	Materials and Services 171
Note 11	Bad & Doubtful Debts 171
Note 12	Depreciation & Amortisation 171
Note 13	Finance costs 172
Note 14	Other Expenditure 172
Note 15	Cash and Cash Equivalents 172
Note 16	Restricted Assets 172
Note 17	Trade and Other Receivables 173
Note 18	Other Assets 173
Note 19	Infrastructure, Property, Plant & Equipment 174
Note 20	Investment Property 177
Note 21	Intangible Assets 177
Note 22	Trade and other Payables 178
Note 23	Provisions 178
Note 24	Interest bearing loans and borrowings 179
Note 25	Trust Fund and Deposits 180
Note 26	Lease Incentive Liability 180
Note 27	Reserves 180
Note 28	Reserve Movements 181
Note 29	Reconciliation of Cash Flows from Operating Activities to Surplus 183
Note 30	Reconciliation of cash and cash equivalents 183
Note 31	Financing arrangements 183
Note 32	Superannuation 183
Note 33	Commitments 185
Note 34	Contingent Liabilities and Contingent Assets 186
Note 35	Operating Leases 186
Note 36	Related Party Transactions 187
Note 37	Financial Instruments 188
Note 38	Financial Ratios 192
Note 39	Capital Expenditure 194
Note 40	Events Occurring After Balance Date 195
Note 41	Residential Aged Care Facilities 195
Note 42	Income, Expenses and Assets by Function/ Activity 197
	Certification of the Financial Report 199

Comprehensive Income Statement

Kingston City Council for the year ended 30 June 2011

	Note	2011 \$('000)	2010 \$('000)
Income			
Rates and Charges	3	93,251	85,631
Grants – Recurrent	4	27,685	26,323
Grants – Non-recurrent	4	798	3,023
Contributions – Cash	5	2,581	1,392
Contributions – Non-monetary assets	5	560	13,722
User Fees, Charges & Fines	6	22,754	23,797
Interest Income	7	2,622	2,170
Other Income	7	2,628	3,005
Total Income		152,879	159,063
Expenses			
Employee Benefits	9	59,931	55,663
Materials and Services	10	62,241	61,591
Bad and Doubtful Debts	11	17	20
Depreciation and Amortisation	12	18,397	17,319
Finance Costs	13	784	256
Net Loss on disposal of infrastructure, property, plant & equipment	8	132	97
Fair value adjustment for investment property	20	-	90
Impairment Loss – Bed Licences	14, 21	1,534	-
Total Expenses		143,036	135,036
SURPLUS		9,843	24,027
Other Comprehensive Income			
Net asset revaluation increment	19, 21, 28	72,759	152,335
COMPREHENSIVE RESULT	2	82,602	176,362

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet

Kingston City Council for the year ended 30 June 2011

	Note	2011 \$ ('000)	2010 \$ ('000)
CURRENT ASSETS			
Cash and Cash Equivalents	15	39,443	35,741
Trade and Other Receivables	17	6,447	6,502
Other Assets	18	1,012	2,007
Total Current Assets		46,902	44,250
NON CURRENT ASSETS			
Trade and Other Receivables	17	59	65
Infrastructure, Property, Plant & Equipment	19	2,321,365	2,216,674
Investment Property	20	1,990	1,910
Intangible Assets	21	1,025	7,726
Total Non Current Assets		2,324,439	2,226,375
TOTAL ASSETS		2,371,341	2,270,625
CURRENT LIABILITIES			
Trade and Other Payables	22	10,293	9,912
Provisions	23	9,188	8,794
Leased Plant Liability	24	-	19
Interest Bearing Loans and Borrowings	24	641	2,267
Trust Funds and Deposits	25	11,705	12,622
Total Current Liabilities		31,827	33,614
NON CURRENT LIABILITIES			
Provisions	23	2,270	2,239
Interest Bearing Loans and Borrowings	24	20,766	204
Lease Incentive Liability	26	-	693
Total Non Current Liabilities		23,036	3,136
TOTAL LIABILITIES		54,863	36,750
NET ASSETS		2,316,478	2,233,875
EQUITY			
Accumulated Surplus		1,194,679	1,187,834
Asset Revaluation Reserve	27, 28	1,110,973	1,038,214
Other Reserves	27, 28	10,826	7,827
TOTAL EQUITY		2,316,478	2,233,875

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Kingston City Council for the year ended 30 June 2011

	Note	Total \$ ('000)	Accumulated Surplus \$ ('000)	Asset Re- valuation Reserve \$ ('000)	Asset Re- placement Reserve \$ ('000)	Asset De- velopment Reserve \$ ('000)	Other Reserves \$ ('000)
Balance at 1 July 2010		2,233,875	1,187,834	1,038,214	1,684	5,436	707
Surplus for the year		9,843	9,843	-	-	-	-
Net asset revaluation increment (decrement)	27, 28	72,759	-	72,759	-	-	-
Transfers to Other Reserves	27, 28	-	(4,621)	-	462	2,039	2,120
Transfer from Other Reserves	27, 28	-	1,623	-	(189)	(1,427)	(6)
Balance as at 30 June 2011		2,316,478	1,194,679	1,110,973	1,957	6,048	2,821

The above statement of changes in equity should be read with the accompanying notes.

Kingston City Council For the Year Ended 30 June, 2010

	Note	Total \$ ('000)	Accumulated Surplus \$ ('000)	Asset Re- valuation Reserve \$ ('000)	Asset Re- placement Reserve \$ ('000)	Asset De- velopment Reserve \$ ('000)	Other Reserves \$ ('000)
Balance at 1 July 2009		2,057,513	1,164,457	885,879	1,551	5,005	622
Surplus for the year		24,027	24,027	-	-	-	-
Net asset revaluation increment (decrement)	27, 28	152,335	-	152,335	-	-	-
Transfer to Other Reserves	27, 28	-	(1,549)	-	388	1,065	94
Transfer from Other Reserves	27, 28	-	899	-	(255)	(634)	(9)
Balance as at 30 June 2010		2,233,875	1,187,834	1,038,214	1,684	5,436	707

The above statement of changes in equity should be read with the accompanying notes.

Cash Flow Statement

Kingston City Council for the year ended 30 June 2011

	Note	2011 \$('000) Inflows/ (Outflows)	2010 \$('000) Inflows/ (Outflows)
Cash Flows from Operating Activities			
Rates and Charges		92,597	85,120
Grants and Subsidies		28,483	29,346
User Fees, Charges & Fines		23,943	23,415
Contributions, Reimbursements & Donations		2,581	1,392
Interest		2,438	1,951
Other Receipts		1,035	491
Payments to Suppliers		(62,326)	(61,056)
Payments to Employees		(59,506)	(54,289)
Net cash provided by operating activities	29	29,245	26,370
Cash flows from investing activities			
Payments for Infrastructure, Property, Plant and Equipment (i)	19, 39	(43,350)	(22,420)
Proceeds from Sale of Infrastructure, Property, Plant & Equipment	8	129	33
Net cash used in investing activities		(43,221)	(22,387)
Cash flows from financing activities			
Finance Costs		(784)	(256)
Net Increase (Repayment) of Interest Bearing Loans and Borrowings (i)	24	18,917	(2,201)
Trust Funds and Deposits		(455)	529
Net cash used in financing activities		17,678	(1,928)
Net increase in cash and cash equivalents		3,702	2,055
Cash and cash equivalents at the beginning of the financial year		35,741	33,686
Cash and cash equivalents at the end of the financial year	30	39,443	35,741
Restrictions on Cash Assets	16	24,653	24,558

(i) In December 2010, Council purchased its main Offices at 1230 Nepean Highway in Cheltenham, increasing the payments for property and borrowings by \$21.5 million over 25 years.

The above cash flow statement should be read with the accompanying notes.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies

Introduction

Kingston City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 1230 Nepean Highway, Cheltenham Victoria.

This financial report is a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Finance and Reporting) Regulations 2004.

(a) Basis of Accounting

This financial report has been prepared on the accrual and going concern basis under the historical cost convention, except where specifically stated in 1(b), 1(h), and 1(i).

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full.

(b) Recognition and Measurement of Assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

The following classes of assets have been recognised and are reported on further in Notes 19, 20 and 21. In accordance with Council policy the threshold limits listed below have been applied when recognising assets within an applicable asset class and are consistent with the threshold limits in the prior year. Expenditure below the threshold limit is recorded as an expense in the year of recognition.

Class of Asset	Limit at which Recognised	
	Purchase/Construction \$ ('000)	Asset Improvement \$ ('000)
Plant	5	N/A
Land & Buildings		
- Land	-	N/A
- Land Under Roads	10	N/A
- Buildings	-	20
- Leasehold Improvements	-	20
- Land Improvements (excluding Buildings)	N/A	20
Equipment	2	N/A
Transport		
- Roads	-	50
- Kerb & Channel	-	50
- Bridges	-	50
- Footpaths	-	50
- Street Furniture	10	10
- Traffic Control	10	10
Drainage Works	-	25
Heritage & Culture	1	25
Investment Property	-	N/A
Intangibles - Bed Licences	-	N/A
Intangibles - Software	50	N/A

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(b) Recognition and Measurement of Assets (continued)

Intangible Asset – Bed Licences

Approved provider aged care places (bed licences) are recorded at cost (zero) at 30 June 2011. Previous valuations were at 'fair value' but Council has elected this year to no longer recognise their value based on the recent ASIC finding that the strict criteria for an 'active market' is not fulfilled in the case of bed licences. Refer to Note 21.

Intangible Asset – Software

Purchased software is recognised as an intangible asset if it meets the recognition threshold of \$50,000. Purchased software is measured at cost less accumulated amortisation and impairment costs over a finite life not exceeding five years. The purchase price and any directly attributable costs of preparing the software for operation are included in the cost of the intangible asset. All expenditure below the threshold and ongoing maintenance and fees related to the software is expensed when incurred. Operating software integral to the operation of a PC is recorded as property, plant and equipment.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets (other than Plant, Equipment, Asset Improvements, Bed Licences, Software and Library Books), are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date the class of asset is revalued. In addition, Council usually undertakes a formal valuation of land and building assets on a regular basis ranging from 2 to 4 years. A formal revaluation of land and building assets was performed in 2010. The valuation is performed by independent experts.

Constructed assets, namely Transport and Drainage Works, are recognised in this general purpose financial report and have been valued at the written down current cost of replacement of the asset in accordance with Australian Accounting Standard AAS 27 "Financial Reporting by Local Governments". Valuations for Transport and Drainage Works have been determined as at 30 June 2011. The valuation is performed by experienced council officers.

Where the assets are revalued, the revaluation increments are credited directly to the related asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Land Under Roads

In accordance Australian Accounting Standard AASB 1051 Land Under Roads, Council has elected to recognise the value of land under roads it controlled as at 30 June 2008 at fair value. Land under roads acquired after 30 June 2008 is brought to account using the cost basis.

(c) Depreciation and Amortisation of Non-Current Assets

Buildings, land improvements, plant and equipment, infrastructure, heritage assets, and intangibles (software) having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually. Straight line depreciation is charged based on the residual useful life as determined each year.

Major Depreciation and Amortisation periods are listed below:

Transport:

Roads - Sub base	100 years
Roads - Sheet	25 years
Kerb & Channel	80 years
Footpaths	60 years
Bridges	100 years
Street Furniture, Traffic Control	10 years

Drainage Works:

Drains	100 years
--------	-----------

Heritage & Culture:

Artefacts, Artworks, Monuments	100 years
Library Books	5 years

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(c) Depreciation and Amortisation of Non-Current Assets (continued)

Equipment:

Computers	3 years
Furniture, Office Equipment	5 years

Plant:

Plant	3 to 10 years
-------	---------------

Land & Buildings:

Buildings	20 to 100 years
Leasehold Improvements	10 years
Land Improvements (excluding Buildings)	10 to 50 years

Intangibles:

Purchased Software	5 years
--------------------	---------

The depreciation periods are consistent with those that applied in the previous year.

(d) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(e) Investments

Investments are measured at cost.

(f) Trust Funds and Deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to Note 25).

All accommodation Bond liabilities are recorded as Current Liabilities. Refer Note 25.

(g) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement unless the asset is carried at the revalued amount. In which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(h) Investment Property

Investment property is land or buildings which are held to generate long-term rental yields. All tenant leases are on arms length basis. Investment property is measured initially at cost, including transaction costs. After initial recognition, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

(i) Non-current Assets Classified as Held for Sale

A Non Current Asset Held for Sale is measured at the lower of its carrying amount and fair value less costs to sell, and not subject to depreciation. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset's sale is highly probable and is expected to be completed within 12 months from the date of classification.

(j) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(k) Reportable Segment - Residential Aged Care Facilities

In compliance with the requirements of the Aged Care Act 1997 and the Department of Health and Ageing funding policy regarding Conditional Adjustment Payments, Council reports activities of Residential Aged Care facilities as a reportable segment in the notes accompanying the Financial Report. Refer Note 41.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(l) Employee Benefits

Wages and Salaries

Liabilities for wages and salaries and rostered days off are recognised and measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

Annual Leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled. Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long Service Leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service. Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

Superannuation

A liability is recognised in respect of Council's present obligation to meet the unfunded obligations of defined benefit superannuation schemes to which its employees are members. The liability is defined as the Council's share of the scheme's unfunded position, being the difference between the present value of employees' accrued benefits and the net market value of the scheme's assets at balance date.

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are recorded in Note 32.

Sick Leave

No provision is made for sick leave, as the cumulative entitlement is not paid on termination.

(m) Leases

Finance Leases

Leases of assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are amortised on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets were being amortised over a three year period which ended in September 2010.

Operating Leases

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred. (Note 35).

Leasehold Improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Due to the purchase of 1230 Nepean Highway Cheltenham in December 2010, the remaining leasehold improvements related to this lease were fully amortised in the 2010/11 financial year.

(n) Revenue Recognition

Rates, Grants and Contributions

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

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(n) Revenue Recognition (continued)

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 4. The Note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

User Fees and Fines

User fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. A provision for doubtful debts is recognised when collection in full is no longer probable.

Sale of Infrastructure, Property, Plant and Equipment

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

Rental & Interest

Rents are recognised as revenue when the payment is due or the payment is received, whichever occurs first. Rental payments received in advance are recognised as a prepayment until they are due. Interest is recognised progressively as it is earned.

Trade and Other Receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.

(o) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for Trade and Other Receivables or Trade and Other Payables which are recognised inclusive of GST. Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Repairs and Maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

(q) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised. Borrowing costs include interest on borrowings, and finance lease charges.

(r) Change in Accounting Policies

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

(s) Provision for Doubtful Debts

Provision for doubtful debts is calculated by conducting a debt by debt review taking into regard the age of each debt and the probability of collection.

(t) Financial Guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(u) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

(v) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> • simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; • removing the tainting rules associated with held-to-maturity assets; • simplifying the requirements for embedded derivatives; • removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; • allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and • reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: <ol style="list-style-type: none"> a. the objective of the entity's business model for managing the financial assets; and b. the characteristics of the contractual cash flows. 	Applicable for annual reporting periods commencing on or after 1 January 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments.
AASB 124: Related Party Disclosures	This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard.	Applicable for annual reporting periods commencing on or after 1 January 2011.	Although this standard does not strictly apply to Local Government it is often used as guidance, as such there will be greater clarity on the disclosure of inter government transactions.
AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

1 Significant Accounting Policies (continued)

(v) Pending Accounting Standards

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19.	Applicable for annual reporting periods commencing on or after 1 July 2010.	These amendments are not expected to impact Council.
AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.	Applicable for annual reporting periods commencing on or after 1 January 2011.	These amendments are not expected to impact Council.

(w) Contingent Assets and Contingent Liabilities and Commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively. Refer Note 34.

Commitments are not recognised in the Balance Sheet, but are disclosed by way of Note. Commitments are disclosed at their nominal value and inclusive of the GST payable. Refer Note 33.

2 Underlying Result

A key measure of financial sustainability is the Underlying Result. The Underlying Result, as defined by Council, identifies whether Council is generating enough revenue to cover operating expenses (including the cost of replacing assets reflected in depreciation expenditure). It is represented by the comprehensive result adjusted for any asset revaluations, non cash developer contributions and found assets, as well as any other one-off or non-recurrent transactions. These are transactions that affect profit and/or the comprehensive result, but the values can fluctuate significantly from year to year. Therefore, the Underlying Result should remain relatively consistent from year to year and best represents Council's ability to remain sustainable and continue with normal day-to-day operations.

	2011 \$ ('000)	2010 \$ ('000)
Comprehensive Result	82,602	176,362
Net Asset Revaluation Movement	(72,759)	(152,335)
Profit	9,843	24,027
One-off / Non-recurring adjustments:		
Non-Cash Developer Contributions	(560)	(13,722)
Found Assets	(1,513)	(1,338)
Non-recurring Grants (i)	(798)	(3,023)
Underlying Result	6,972	5,944

(i) The Roads to Recovery grant was re-classified in 2011 to 'recurrent' grants (previously under non-recurrent grants). The 2010 figures were re-classified for comparative purposes. The grant for 2010 and 2011 is \$569k each year.

3 Rates and Charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. CIV approximates the market value of land and improvements.

The valuation base used to calculate general rates for 2010/11 was \$37.0 billion (2009/10 \$32.9 billion). The 2010/11 declared rate in the dollar was 0.20966 cents (2009/10 0.21011 cents).

A Municipal charge is levied at the rate of \$100 (2009/10 \$106) per rateable property and a Waste Service fee is levied at the rate of \$102 to \$181 (2009/10 \$96 to \$172) per rateable property, for Waste Service choices A to F.

During 2010/11 Council utilised for rating purposes within the municipal district, the general revaluation dated 1 January 2010. This valuation was first applied to the rating period commencing 1 July 2010. The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2008. Property values increased by approximately 10% since the 2008 revaluation. The date of the next general revaluation of land for rating purposes within the municipal district is 1 January 2012. This valuation will be first applied to the rating period commencing 1 July 2012.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

3 Rates and Charges (continued)

Valuations were prepared by registered valuers K. A. Reed Group Pty Ltd under contract to Council.

	2011 \$ ('000)	2010 \$ ('000)
General Rates	77,492	70,129
Municipal Charges	6,776	7,098
Garbage Charges	8,983	8,404
	93,251	85,631

4 Grants

Grants were received in respect of the following:

	2011 \$ ('000)	2010 \$ ('000)
RECURRENT		
Corporate Services & Communications		
Victorian Grants Commission	2,937	2,721
VGC Other (Local Roads Funding)	1,163	1,121
School Crossings	215	151
Tobacco Act Education and Enforcement	19	21
Arts & Festivals	52	-
	4,386	4,014
Environmental Sustainability		
Roads to Recovery (i)	569	569
Beach Cleaning	265	99
Conservation Strategy	-	3
Heritage	7	6
Storm Water	50	15
Victorian SES	29	42
Mordialloc Creek	20	-
Home Maintenance	451	437
	1,391	1,171
Community Sustainability		
Aged Hostels	3,603	3,009
Leisure	65	63
Graffiti Free Kingston Grant	-	23
Being Active Eating Well	-	212
Commonwealth Aged Care Packages (CACP)	1,987	1,970
Community Connection Program (CCP)	429	421
Child Care	438	507
Family Day Care	1,115	1,236
Family Support & Stronger Families	152	110
After School Care	196	179
Food Services	227	220
Home Care – Domestic/Specific	3,224	3,100
Home Care – Personal/General	1,828	1,745
Home Care – Respite Care	901	842
Immunisations	109	149
Library	842	819
AccessCare Southern	4,242	4,132

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

4 Grants (continued)

	2011 \$('000)	2010 \$('000)
Maternal & Child Health	859	776
Nursing	240	198
Social Support	250	224
Vacation Care	130	129
Veterans Affairs	474	517
Youth Development	44	41
FreeZa Youth Events	24	30
Community Engagement	528	485
Other	1	1
	21,908	21,138
Total Recurrent	27,685	26,323
NON-RECURRENT		
Waves Change Room Refurbishment	-	150
Dolomore Reserve Hammer Throw Cages	-	41
Stormwater Drainage Improvements - Mentone	-	250
Climate Change Projects (HACC)	47	-
Cycling and Walking Paths	-	145
Leisure & Social Planning	-	266
Various Capital Projects – Grants (Non Recurrent)	51	34
Patterson Lakes Community Centre	-	191
Chelsea Sportswomen's Centre	28	-
JTAPP Bicentennial Park	216	483
Governor Road Shared Path	133	-
Carrum Foreshore Renewal	100	-
Kingston Heath Soccer Facility	-	1,463
Kingston Athletic Tracks Renewal	193	-
Governor Road Boat Ramp	30	-
Total Non-Recurrent	798	3,023
Total Grants	28,483	29,346
Represented By:		
Commonwealth Funded Grants	9,652	11,353
State Funded Grants	18,477	17,598
Other	354	395
Total Grants	28,483	29,346

(i) Roads to Recovery grant was re-classified in 2011 to 'recurrent' grants (previously under non-recurrent grants). The 2010 figures were re-classified for comparative purposes. The grant for 2010 and 2011 is \$569k each year.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

4 Grants (continued)

Conditions on Grants

Grants recognised as revenue during the year that they were obtained on a condition that they be expended in a specified manner that had not occurred at balance date were:

	2011 \$('000)	2010 \$('000)
VGC Funding (ii)	1,046	1,000
Kingston Athletic Track Renewals	176	-
Sportsground Water Efficiency Program	-	54
Aspendale Tennis Club Court Surface Conversion	-	29
Seniors Access IT Project	-	105
Dolomore Reserve Hammer Cages	-	41
Environment/Stormwater Projects	100	250
Edithvale Recreation Reserve	10	65
Variety Club Grant for Liberty Swing	-	25
Chelsea Sportswomen's Centre	-	50
	1,332	1,619

Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:

Sportsground Water Efficiency Program	54	-
Aspendale Tennis Club Court Surface Conversion	29	-
Seniors Access IT Project	105	-
Dolomore Reserve Hammer Cages	41	-
Edithvale Recreation Reserve	65	-
Variety Club Grant for Liberty Swing	25	-
Chelsea Sportswomen's Centre	50	-
Environment/Stormwater Projects	250	136
VGC Funding	1,000	915
Bay to Rail Project Stage 2	-	200
North Aspendale Renourishment	-	600
Kingston Heath Soccer Facility Federal Grant	-	1,463
Chelsea Cycling and Walking Project	-	38
Drought Relief for Community Sport and Recreation	-	50
Patterson Lakes Library Public Filtering Project	-	47
	1,619	3,449
Net increase (decrease) in restricted assets resulting from grant revenues for the year	(287)	(1,830)

(ii) The 2011/12 first quarter payment from the Victorian Grants Commission was received in June 2011.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

5 Contributions

	2011 \$('000)	2010 \$('000)
CASH		
Monetary Donations/Contributions from Developers	2,039	1,066
Various Capital Projects - Contributions	327	37
Community Sustainability	36	93
Environmental Sustainability	157	169
Other	22	27
Total Cash Contributions	2,581	1,392
NON MONETARY(i)		
Land Under Roads	-	4,640
Road Asset Contributions from Developers	-	3,490
Drainage Asset Contributions from Developers	-	1,736
Land Asset Contributions from Developers	560	3,613
Building Asset Contributions from Developers	-	243
Total non-monetary Contributions	560	13,722
Total Contributions	3,141	15,114

(i) No new developments finalised in 2010/11 and therefore no new land under roads or infrastructure from developers recorded for the year.

6 User Fees, Charges and Fines

	2011 \$('000)	2010 \$('000)
Aged Services	4,383	4,357
Family and Children's Services	2,679	2,373
Leisure and Recreation	6,316	6,085
Local Law Permits, Fees, and Fines	3,916	3,935
Planning and Building	2,816	2,817
Rental Income and Hire of Facilities (i)	1,415	2,661
Other	1,229	1,569
	22,754	23,797

(i) Rental income is lower in 2011 largely due to the expiry of Fujitsu's sub-lease of levels 3-4 of 1230 Nepean Highway in April 2010. A new lease commenced with Australian Pacific Touring with lease payments to commence in September 2011.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

7 Other Income

	2011 \$('000)	2010 \$('000)
Interest on cash and investments	1,895	1,509
Interest on Rates	727	661
Found Assets (i)	1,513	1,338
Other (ii)	1,115	1,667
	5,250	5,175

(i) Found Assets include buildings (\$927,303), land (\$156,000) and drainage (\$429,649). Found Assets are not newly purchased assets for the year, these represent assets which are discovered to be under the control of Council due to improved measurement techniques or more accurate data becoming available.

(ii) Other includes an \$80k fair value increment to investment property.

8 Net Gain (Loss) on Disposal of Property, Infrastructure Plant & Equipment

	2011 \$('000)	2010 \$('000)
Proceeds from Disposal	128	33
Less: Written down value	(260)	(130)
Profit/(Loss) on Disposal of Infrastructure, Property, Plant & Equipment	(132)	(97)
Comprising:		
Profit on Disposal of Property, Plant & Equipment (i)	96	23
Loss on Disposal of Property, Plant & Equipment (ii)	(228)	(120)
	(132)	(97)

(i) Includes profit on the sale of 15 vehicles in 2010/11.

(ii) Includes the demolition of a number of buildings including toilets and shelters.

9 Employee Benefits

	2011 \$('000)	2010 \$('000)
Wages & Salaries – Permanent Staff	44,362	43,477
Wages & Salaries – Casual Staff	5,192	4,389
Superannuation	4,337	3,875
Superannuation – Additional Call (i)	2,027	-
Annual Leave & Long Service Leave	2,437	2,657
Fringe Benefits Tax & WorkCover	1,353	1,227
Redundancy	223	38
	59,931	55,663
Average Employee Numbers During the Financial Year (Equivalent Full Time)	802	804

(i) During the period Council was required to make an additional contribution to Vision Super to meet our obligations in relation to members of the defined benefit plan. Refer Note 32.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

10 Materials and Services

	2011 \$('000)	2010 \$('000)
Infrastructure Works	12,634	14,207
Community Buildings	2,885	1,152
Waste & Cleansing	8,750	7,749
Aged Services	7,894	7,709
Parks, Gardens & Reserves	8,415	6,931
Leisure & Culture	5,372	5,412
Accommodation Expense (i)	908	4,090
Information Systems and Telecommunications	2,768	2,698
Family Services	2,771	3,072
Enforcement	2,181	2,077
Procurement & Fleet Management	2,546	2,053
Council Business	769	665
Organisational Development & Governance	1,323	1,333
Finance & Legal	1,803	1,607
Other (ii)	1,222	836
	62,241	61,591

(i) Accommodation expenses decreased in 2011 due to the purchase of Council's main offices at 1230 Nepean Highway Cheltenham (previously leased).

(ii) Other includes expenditure in divisions such as Corporate Services and Organisational Development and Governance.

11 Bad and Doubtful Debts

	2011 \$('000)	2010 \$('000)
Other Debtors	17	20
	17	20

12 Depreciation and Amortisation

	2011 \$('000)	2010 \$('000)
Land Improvements	356	171
Buildings	4,097	3,917
Building Improvements	93	74
Leasehold Improvements (i)	799	231
Drainage Works	2,465	2,492
Transport	7,733	7,870
Equipment	968	883
Heritage & Culture	16	15
Library Books	1,190	1,013
Plant	340	343
Software Amortisation	318	244
Finance Lease Amortisation	22	66
	18,397	17,319

(i) Leasehold improvements depreciation includes \$693,333 write off of remaining leasehold improvements related to the lease of 1230 Nepean Highway Cheltenham which ceased in December 2010.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

13 Finance Costs

	2011 \$('000)	2010 \$('000)
Interest – Borrowings (i)	784	251
Interest – Finance Lease	-	5
	784	256

(i) New borrowings of \$21.5 million commenced in December 2010 for the purchase of Council's main offices at 1230 Nepean Highway Cheltenham. Total borrowing costs for 2010/11 for this new loan were \$0.6 million.

14 Other Expenditure

	2011 \$('000)	2010 \$('000)
External Audit Fees - Auditor General *	54	53
Internal Audit Fees - Deloitte Touche Tohmatsu (i) *	113	109
Impairment Loss – Bed Licences (ii)	1,534	-
	1,701	162

* Audit fees are included in the total Materials and Services expenditure on the Comprehensive Income Statement.

(i) Internal Audit fees are paid to firms contracted to provide internal audit services on behalf of Council.

(ii) Council's bed licences were de-recognised in 2011 due to ASIC advice that bed licences don't meet the active market criteria. The \$1.5 million impairment loss in the comprehensive income statement in 2011 represents the portion of Council's bed licence value not held in surplus in the revaluation reserve.

15 Cash and Cash Equivalents

	2011 \$('000)	2010 \$('000)
Cash on Hand	15	20
Cash at Bank	27,428	21,071
Interest Bearing Deposits	12,000	14,650
	39,443	35,741

Users of this financial report should refer to Note 16 for restrictions on cash assets and Note 33 for details of existing Council commitments.

16 Restricted Assets

Council has the following cash and cash equivalents (Note 15) that are subject to legislative restrictions.

	2011 \$('000)	2010 \$('000)
Asset Development Reserve	6,048	5,436
Long Service Leave (i)	6,900	6,500
Trust Fund and Deposits (ii)	11,705	12,622
Total Restricted Assets	24,653	24,558
Total Unrestricted Cash and Cash Equivalents	14,790	11,183

(i) Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in Note 23 due to a different basis of calculation prescribed by the regulation.

(ii) Refer to Note 25 for details of all Trust Funds and Deposits.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

17 Trade and Other Receivables

	2011 \$('000)	2010 \$('000)
Current		
Rate Debtors	4,252	3,591
Net GST Receivable	941	1,248
Other Debtors	1,091	1,510
Less Provision for Doubtful Debts	(155)	(160)
Parking Infringement Debtors	1,345	1,113
Less Provision for Doubtful Debts	(1,027)	(800)
	6,447	6,502
Non-Current		
Rate Debtors	59	65
Other Debtors	6	9
Less Provision for Doubtful Debts	(6)	(9)
	59	65
Total Trade and Other Receivables	6,506	6,567
Ageing of Trade and Other Receivables		
The ageing of the council's trade and other receivables at reporting date was:		
1-30 Days	1,344	2,169
31-60 Days	218	156
61-90 Days	319	394
90-365 Days (i)	4,566	3,783
Over 1 Year	59	65
Total Trade and Other Receivables	6,506	6,567
(i) Balance comprises all rate debtors of \$4,311,327 (\$3,591,246 in 2010)		
Movement in Provision for Doubtful Debts		
Balance at the Beginning of the year	969	679
+ New provisions recognised during the year	227	306
- Amounts provided but recovered during the year	(8)	(16)
Balance at the end of the year	1,188	969

18 Other Assets

	2011 \$('000)	2010 \$('000)
Current		
Prepayments	437	357
Accrued Income (i)	575	1,650
Total	1,012	2,007

(i) Accrued income in 2010 includes \$1.2 million accrual for the state government pension rebate not yet invoiced. This income was invoiced in June 2011 for the 2010/11 financial year.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

19 Infrastructure, Property, Plant and Equipment

SUMMARY	2011 \$('000)	2010 \$('000)
At Cost	442,742	439,534
Less Accumulated Depreciation	(21,895)	(20,072)
	420,847	419,462
At Fair Value as at 30 June	1,496,442	1,406,856
Less Accumulated Depreciation	(133,344)	(124,319)
At Council Valuation as at 30 June	735,608	754,106
Less Accumulated Depreciation	(198,188)	(239,431)
	1,900,518	1,797,212
Total	2,321,365	2,216,674
DETAIL	2011 \$('000)	2010 \$('000)
Motor Vehicles		
- at Cost	2,662	2,556
Less: Accumulated Depreciation	(1,712)	(1,717)
	950	839
Leased Plant		
- at Cost	221	221
Less: Accumulated Amortisation	(221)	(199)
	-	22
Leasehold Improvements		
- at Cost	1,052	2,652
Less: Accumulated Depreciation	(238)	(1,040)
	814	1,612
Land		
- at Fair Value (i)	1,193,728	1,138,248
	1,193,728	1,138,248
Land Improvements		
- at Cost	11,731	9,653
Less: Accumulated Depreciation	(615)	(259)
	11,116	9,394
Land Under Roads (ii)		
At Cost	399,860	399,860
	399,860	399,860
Buildings		
- at Fair Value (i)	301,027	266,970
Less: Accumulated Depreciation	(133,004)	(123,995)
	168,023	142,975
Building Improvements		
- at Cost	3,281	2,943
Less: Accumulated Depreciation	(207)	(114)
	3,074	2,829

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

19 Infrastructure, Property, Plant and Equipment (continued)

DETAIL	2011 \$('000)	2010 \$('000)
Equipment		
- at Cost	12,143	10,726
Less: Accumulated Depreciation	(9,098)	(8,130)
	3,045	2,596
Transport		
- at Fair Value (iii)	538,876	509,629
Less: Accumulated Depreciation	(107,691)	(132,040)
	431,185	377,589
Drainage Works		
- at Fair Value (iii)	196,732	244,477
Less: Accumulated Depreciation	(90,497)	(107,391)
	106,235	137,086
Heritage and Culture		
- at Fair Value	1,686	1,637
Less: Accumulated Depreciation	(340)	(324)
	1,346	1,313
Library Books		
- at Cost	11,097	10,204
Less: Accumulated Depreciation	(9,804)	(8,613)
	1,293	1,591
Works in Progress - at Cost	696	720
Total Infrastructure, Property, Plant & Equipment	2,321,365	2,216,674

- (i) Valuations of Land (excluding land under roads) and Buildings were independently determined by K. A. Reed (Group) Pty Ltd. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. A full valuation was undertaken for all land and buildings as at 30 June 2010. The 2010 valuation figures have been adjusted by a market movement index determined by K. A. Reed (Group) Pty Ltd to determine the value of all land and buildings as at 30 June 2011.
- (ii) Land Under Roads is valued at deemed cost. Deemed cost is based on Council valuations as at 30 June 2008 for land under roads in existence at that date and at the date acquired for subsequent acquisitions using site values adjusted for: 'englombo' (discounting back to the raw land value before development or subdivision) values, access rights and private interests of other parties and entitlements of infrastructure assets and services.
- (iii) Transport and Drainage assets are stated at written down current cost of replacement at 30 June 2011. Valuations of Transport and Drainage Works were determined by Council Engineer Mr T. Pell (Council Valuation).
- (iv) All other purchased assets are valued at cost.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

19 Infrastructure, Property, Plant and Equipment (continued)

Reconciliation of Asset Movements by Class

2011	Balance at beginning of financial year \$('000)	Acquisition of assets \$('000)	Asset Donations and Developer Contributions \$('000)	Revaluation increments (decrements) \$('000)	Depreciation and amortisation \$('000)	Written down value of disposals \$('000)	Reclassification of assets \$('000)	Balance at end of financial year \$('000)
Motor Vehicles	839	483	-	-	(340)	(32)	-	950
Leased Plant	22	-	-	-	(22)	-	-	-
Leasehold Improvements	1,612	-	-	-	(798)	-	-	814
Land	1,138,248	3,539	560	51,381	-	-	-	1,193,728
Land Improvements	9,394	2,078	-	-	(356)	-	-	11,116
Land Under Roads	399,860	-	-	-	-	-	-	399,860
Buildings	142,975	23,691	-	5,683	(4,098)	(228)	-	168,023
Building Improvements	2,829	338	-	-	(93)	-	-	3,074
Equipment	2,596	1,417	-	-	(968)	-	-	3,045
Transport	377,589	8,998	-	52,331	(7,733)	-	-	431,185
Drainage Works	137,086	2,785	-	(31,171)	(2,465)	-	-	106,235
Heritage and Culture	1,313	48	-	-	(15)	-	-	1,346
Library Books	1,591	892	-	-	(1,190)	-	-	1,293
Works in Progress	720	-	-	-	-	-	(24)	696
Total property, plant and equipment, infrastructure	2,216,674	44,269	560	78,224	(18,078)	(260)	(24)	2,321,365

2010	Balance at beginning of financial year \$('000)	Acquisition of assets \$('000)	Asset Donations and Developer Contributions \$('000)	Revaluation increments (decrements) \$('000)	Depreciation and amortisation \$('000)	Written down value of disposals \$('000)	Reclassification of assets \$('000)	Balance at end of financial year \$('000)
Motor Vehicles	1,007	185	-	-	(343)	(10)	-	839
Leased Plant	88	-	-	-	(66)	-	-	22
Leasehold Improvements	1,471	372	-	-	(231)	-	-	1,612
Land	980,618	878	3,613	153,139	-	-	-	1,138,248
Land Improvements	4,417	5,148	-	-	(171)	-	-	9,394
Land Under Roads	395,220	-	4,640	-	-	-	-	399,860
Buildings	120,760	3,838	243	22,171	(3,917)	(120)	-	142,975
Building Improvements	2,535	368	-	-	(74)	-	-	2,829
Equipment	2,051	1,428	-	-	(883)	-	-	2,596
Transport	390,145	9,502	3,491	(17,679)	(7,870)	-	-	377,589
Drainage Works	140,285	1,291	1,735	(3,733)	(2,492)	-	-	137,086
Heritage and Culture	1,477	-	-	(149)	(15)	-	-	1,313
Library Books	1,726	878	-	-	(1,013)	-	-	1,591
Works in Progress	978	-	-	-	-	-	(258)	720
Total property, plant and equipment, infrastructure	2,042,778	23,888	13,722	153,749	(17,075)	(130)	(258)	2,216,674

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

20 Investment Property

	2011 \$('000)	2010 \$('000)
Investment Property (at fair value as at 30 June)	1,990	1,910
	1,990	1,910
Balance at beginning of financial year	1,910	2,000
Acquisitions	-	-
Disposals	-	-
Fair value adjustments	80	(90)
Balance at the end of financial year	1,990	1,910
Rental Revenue		
Rental revenue received for Investment Property	302	282

Investment Property Assets consist of buildings at Peter Scullin Reserve, Mordialloc that are leased by a third party to operate a commercial restaurant and land and buildings at 42 Florence Street Mentone that are leased by a third party for office accommodation. Valuations of Investment Properties were independently determined by K. A. Reed (Group) Pty Ltd as at 30 June 2010 and adjusted for a market movement % in 2011.

21 Intangible Assets

	2011 \$('000)	2010 \$('000)
Aged Care Bed Licences (i)	-	7,000
Software – Purchased (ii)	1,025	726
	1,025	7,726
Gross Carrying Amount		
Balance at beginning of financial year	8,282	8,393
Revaluation	(7,000)	(240)
Additions	617	129
Balance at end of financial year	1,899	8,282
Accumulated Amortisation		
Balance at beginning of financial year	556	312
Amortisation Expense	318	244
Balance at end of financial year	874	556
Net Book Value	1,025	7,726

- (i) Bed Licence valuations as at 30 June 2011 have been written down to zero (cost) due to the recent Australian Securities and Investment Commission (ASIC) finding that the strict criteria for an 'active market' is not fulfilled in the case of bed licences.
- (ii) Purchased software includes the capitalisation of all direct costs associated with the implementation of the new Technology One finance system and the Pathway Rates, Debtors and Receipting system.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

22 Trade and other Payables

	2011 \$('000)	2010 \$('000)
Trade Creditors	4,503	6,031
Salary Accruals	1,688	1,394
Other Accruals	4,102	2,487
	10,293	9,912

23 Provisions

	2011 \$('000)	2010 \$('000)
Employee Benefits		
Current (i)		
Annual Leave	4,630	4,436
Long Service Leave	4,558	4,358
	9,188	8,794
Non-Current (ii)		
Long Service Leave	2,270	2,239
	2,270	2,239
Total Provisions	11,458	11,033

The following assumptions were adopted in measuring the present value of employee benefits:

	2011	2010
Weighted Average Increase in Employee Costs	4.75%	4.75%
Weighted Average Discount Rates	4.88%	4.74%
Weighted Average Settlement Period (years)	6.42	6.52
Average Employee Numbers During the Financial Year (Equivalent Full Time)	802	804

- (i) Current
All annual leave and long service leave entitlements representing 10 or more years of continuous service.
- (ii) Non-current
Long service leave representing less than 10 years of continuous service measured at present value using the assumptions noted above.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

24 Interest-Bearing Loans and Borrowings

	2011 \$('000)	2010 \$('000)
Loans		
Current		
Loans - secured	641	2,267
	641	2,267
Non-Current		
Loans - secured	20,766	204
	20,766	204
Total Loans (i)	21,407	2,471
The maturity profile for Council's loans is:		
Not Later than One Year	641	2,267
Later than One Year and Not Later than Five Years	1,534	204
Later than Five Years	19,232	-
	21,407	2,471

Loans are secured over the general rates of the Kingston City Council.

- (i) Since 1997/98, Council has been in a phase of debt reduction. The last payment of this pre-amalgamation debt was made in July 2011. In December 2010, Council purchased its main Offices at 1230 Nepean Highway Cheltenham, increasing borrowings by \$21.5 million over 25 years.

Finance Leases

Council had the following obligations under finance leases for the lease of equipment (the sum of which is recognised as a liability after deduction of future lease finance charges). The equipment finance lease expired in September 2010. No new finance leases have commenced as at balance date.

	2011 \$('000)	2010 \$('000)
Finance Leases		
Current		
Leased Plant Liability	-	19
Total Finance Leases	-	19
The maturity profile for Council's Finance Leases is:		
Not later than One Year	-	19
Total Finance Leases	-	19
Aggregate Carrying Amount of Interest Bearing Loans and Borrowings:		
Current	641	2,286
Non Current	20,766	204
Total Interest Bearing Loans and Borrowings	21,407	2,490

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

25 Trust Fund and Deposits

	2011 \$('000)	2010 \$('000)
Trust monies are held for the following purposes:		
Current		
Aged Hostel Ingoing Fee	10,322	10,954
Contract Deposits	1,083	1,308
Regional Strategic Plan	250	238
Other refundable Deposits	50	122
Total Trust Funds and Deposits	11,705	12,622

26 Lease Incentive Liability

	2011 \$('000)	2010 \$('000)
Lease Incentive Liability	1,600	1,600
Amortisation	(1,600)	(907)
	-	693

Council received a lease incentive (office fit-out contribution) to enter into the lease of its offices at 1230 Nepean Highway, Cheltenham in 2004/05. The liability was being amortised over the term (10 years) of the lease on a straight-line basis. However, due to Council purchasing the premises (and ceasing the lease) in December 2010, the total remaining on the lease incentive liability was amortised in the current financial year.

27 Reserves

	2011 \$('000)	2010 \$('000)
Asset Revaluation Reserve (i)	1,110,973	1,038,214
Other Reserves		
Asset Replacement Reserve	1,957	1,684
Asset Development Reserve	6,048	5,436
Drainage Contributions	88	88
Special Rates	69	72
Aged Care Reserve	833	547
Foreshore Reserve	1,000	-
Green Wedge Reserve	831	-
	10,826	7,827
	1,121,799	1,046,041

The Asset Revaluation Reserve recognises the changes in non-current asset values following any reassessment of the carrying amount to the fair value of those assets.

The Asset Replacement Reserve is an appropriation to partially fund future replacement of assets at Council's Aged Hostels.

The Asset Development Reserve recognises the cash contributions made by Developers, as well as pursuant to the requirements of the Subdivision of Land Act. Other Reserves represent appropriations provided by the community to be used for specific purposes. Total contributions of \$2,038,600 were received in 2010/11.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

27 Reserves (continued)

The Foreshore and Green Wedge reserves are newly created reserves in 2010/11 which will be used to accelerate the renewal and improvement to Council's foreshore and non-urban area/ Green Wedge.

- (i) The asset revaluation reserve movement relates to revaluation increments for Council's land and buildings (\$57,063,644) and the net revaluation increment for transport and drainage assets (\$21,161,765).

See Note 28 for Reserve Movements and Note 19 for movements within classes of assets.

28 Reserve Movements

a) Year Ended 30 June 2011	Balance 30 June 2010 \$('000)	Increment \$('000)	Decrement \$('000)	Balance 30 June 2011 \$('000)
Asset Revaluation Reserve				
- Transport	274,734	52,331	-	327,065
- Drainage	110,863	-	(31,169)	79,694
- Land	561,283	51,380	-	612,663
- Buildings	80,659	5,683	-	86,342
- Bed Licences	5,466	-	(5,466)	-
- Heritage and Culture	1,243	-	-	1,243
- Other	3,966	-	-	3,966
	1,038,214	109,394	(36,635)	1,110,973
Asset Replacement Reserve	1,684	462	(189)	1,957
Asset Development Reserve	5,436	2,039	(1,427)	6,048
Other Reserves				
- Drainage Contributions	88	-	-	88
- Special Rates	72	3	(6)	69
- Aged Care	547	286	-	833
- Foreshore	-	1,000	-	1,000
- Green Wedge	-	831	-	831
	707	2,120	(6)	2,821
Total Reserves	1,046,041	114,015	(38,257)	1,121,799

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

28 Reserve Movements (Continued)

b) Year Ended 30 June 2010	Balance 30 June 2009 \$('000)	Increment \$('000)	Decrement \$('000)	Balance 30 June 2010 \$('000)
Asset Revaluation Reserve				
- Transport	292,412	-	(17,678)	274,734
- Drainage	114,596	-	(3,733)	110,863
- Land	408,145	153,138	-	561,283
- Buildings	58,488	22,171	-	80,659
- Bed Licences	5,706	-	(240)	5,466
- Investment Property	1,176	-	(1,176)	-
- Heritage and Culture	1,390	-	(147)	1,243
- Other	3,966	-	-	3,966
	885,879	175,309	(22,974)	1,038,214
Asset Replacement Reserve				
	1,551	388	(255)	1,684
Asset Development Reserve				
	5,004	1,066	(634)	5,436
Other Reserves				
- Drainage Contributions	88	-	-	88
- Special Rates	72	10	(9)	72
- Aged Care	461	86	-	547
	622	96	(9)	707
Total Reserves	893,056	176,859	(23,872)	1,046,041

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

29 Reconciliation of Cash Flows from Operating Activities to Surplus for the year

	2011 \$('000)	2010 \$('000)
Surplus	9,843	24,027
Depreciation / Amortisation	18,397	17,319
(Profit)/Loss on sale of Property, Infrastructure, Plant and Equipment (refer Note 8)	132	97
Developer Asset Contributions and Donated Assets	(560)	(13,722)
Found Assets (refer Note 7)	(1,513)	(1,338)
Hostel Interest & Retention (not cash)	(462)	-
Fair value adjustments for investment property	(80)	(1,086)
Impairment Loss on Bed Licences	1,534	-
Borrowing Costs (included in profit but not in operation activities)	784	256
Changes in Assets and Liabilities:		
(Increase)/Decrease in Trade and Other Receivables	60	(418)
Increase/(Decrease) in Accrued Income	1,077	(1,477)
Increase/(Decrease) in Trade and other Payables	301	998
Increase/(Decrease) in Other Liabilities	(693)	341
Increase/(Decrease) in Employee Benefits	425	1,373
Net cash provided by operating activities	29,245	26,370

30 Reconciliation of Cash and Cash Equivalents

	2011 \$('000)	2010 \$('000)
Cash and Cash Equivalents (see Note 14)	39,443	35,741
	39,443	35,741

31 Financing Arrangements

	2011 \$('000)	2010 \$('000)
Bank Overdraft	5,000	5,000
Used Facilities	-	-
Unused Facilities	5,000	5,000

The municipality has an arrangement for offset of overdraft against bank balances including on-call accounts. As at balance date there was no use of the overdraft facility.

32 Superannuation

Council makes employer superannuation contributions in respect of its employees to Vision Super. Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Details of Employer contributions to superannuation funds during the year are as follows:

	2011 \$('000)	2010 \$('000)
Accumulation Superannuation Fund (Vision Super Saver)	3,985	3,770
Defined Benefits Superannuation Fund	352	396
Defined Benefits extra call (i)	2,027	-
	6,364	4,166

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

32 Superannuation (continued)

- (i) Council paid a total of \$2,026,522 as an additional contribution to Vision Super to meet our obligations in relation to members of the defined benefit plan.

There was a total of \$41,825.06 payable to Vision Super at balance date for June 2011 contributions for the Accumulation Superannuation Fund. No liability exists for the Defined Benefit Fund as at 30 June 2011.

(a) Accumulation Superannuation Fund

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Council contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

(b) Defined Benefits Superannuation Fund

The Fund's Defined Benefit Plan is a multi-employer sponsored plan which closed to new members in 1993. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Fund's Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32 (b) of AASB 119, Council does not use defined benefit accounting for these contributions. Council currently has 71 (June 2010, 85) active members participating in the Fund.

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2008, Council makes the following contributions:

- 9.25% of members' salaries (same as previous year);
- the difference between resignation and retrenchment benefits paid to any retrenched employees (same as previous year).

The Fund surplus or deficit (ie the difference between fund assets and liabilities) is calculated differently for funding purposes (ie calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the defined benefit liability to be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers from 1 July 2011. Council elected to pay the call amount of \$2,026,522 prior to 30 June 2011 (refer Note 9). A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. Council will be notified of any additional required contributions by late 2012.

The liability for accrued benefits for the total Fund for Vision Super was determined in the 31 December 2008 actuarial review pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

Vision Super Total Fund:	31 Dec 08 \$('000)
Total Fund Net Market Value of Assets for Vision Super	3,630,432
Accrued Benefits	3,616,422
Difference between Assets and Accrued Benefits	14,010
Total Fund Vested Benefits	3,561,588

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

Net Investment Return	8.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

33 Commitments

At the reporting date, the Council had entered into the following commitments:

All totals include GST.

	2011 \$('000)	2010 \$('000)
Finance Lease	-	19
Capital Expenditure		
- Buildings (i)	4,995	640
- Transport	5,809	2,621
Total Capital Expenditure	10,804	3,261
Not later than one year	10,018	3,261
Later than one year but not later than five years	786	-
	10,804	3,261

The Finance Lease expired in September 2010.

Recurrent Expenditure		
- Infrastructure Works	3,877	6,544
- Parks, Gardens and Reserves	7,179	11,039
- Waste and Cleansing	33,851	30,263
- Community Sustainability	2,624	2,877
- Corporate Services	4,828	6,969
Total Recurrent Expenditure	52,359	57,692
Not later than one year	18,854	19,528
Later than one year but not later than five years	31,654	33,365
Later than 5 years	1,851	4,799
	52,359	57,692

(i) Capital commitments for building works includes: Shirley Burke Theatre Refurbishment (\$1.1 million), Chelsea Sportswomen's Centre (\$0.4 million), Tom Johnson Pavilion alterations and additions (\$1.6 million), 1230 Nepean Highway Lift Upgrade (\$1.0 million), Clarinda Library Expansion (\$0.7 million) and Bricker Reserve Athletic Track Renewal (\$0.2 million).

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

34 Contingent Liabilities and Contingent Assets

Contingent Liabilities

a) Contingent Liabilities Arising from Public Liability

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council is regularly met with claims and demands allegedly arising from incidents which occur on land belonging to the Council. There are a number of outstanding claims against the Council in this regard. The Council carries \$400 million of public liability insurance and had an excess of \$10,000 on this policy in 2010/11. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus. There are no claims, which Council is aware of which would fall outside the terms of the Council's policy.

b) Contingent Liability Arising from Professional Indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, the Council is met with claims and demands for damages allegedly arising from the actions of Council or its officers. The Council carries \$300 million of professional indemnity insurance and had an excess of \$10,000 on this policy in 2010/11. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is Civic Mutual Plus. There are no instances or claims, which Council is aware of which would fall outside the terms of the Council's policy.

c) The Council has guaranteed the following loan and overdraft facility.

Council has guaranteed an overdraft facility up to \$30,000 in favour of the Commonwealth Bank of Australia supporting an overdraft limit of \$30,000 to Southern Community Broadcasters Inc.

d) Other Contingent Liabilities

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of recent volatility in financial markets, a recent call was made for Council to make an additional contribution to the fund. An amount of \$2.026 million was paid to the fund in May 2011 and therefore no current liability for defined benefits exists at balance date. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Contingent Assets

Developer contributions of drainage and transport assets to be received in respect of estates currently under development at 30 June 2011 total \$1,566,290 (\$542,304 at 30 June 2010).

Year ended 30 June 2011

	2011/12 \$('000)	2012/13 \$('000)	2013/14 \$('000)	Total \$('000)
	522	522	522	1,566

Year ended 30 June 2010

	2010/11 \$('000)	2011/12 \$('000)	2012/13 \$('000)	Total \$('000)
	379	123	40	542

35 Operating Leases

	2011 \$('000)	2010 \$('000)
(a) Operating Leases Actual Rental Expenses (Incl GST)	2,883	4,063

(b) Operating Leases Expense Commitments (i)

At the reporting date, the municipality had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council activities (these obligations are not recognised as liabilities):

These amounts include GST.

	2011 \$('000)	2010 \$('000)
Not later than one year	1,231	3,958
Later than one year and not later than five years	1,181	10,691
Later than five years	1,034	1,177
	3,446	15,826

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

35 Operating Leases (continued)

(c) Operating Lease Receivables (ii)

The Council has entered into commercial property leases. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 50 years. All leases include a CPI based revision of the rental charge annually.

At the reporting date, the municipality as lessor, had the following anticipated minimum revenues under non-cancellable operating leases:

	2011 \$('000)	2010 \$('000)
Not later than one year	1,671	735
Later than one year and not later than five years	6,861	1,865
Later than five years	4,630	2,311
	13,162	4,911

- (i) Council's lease of 1230 Nepean Highway ceased on 20 December 2010 due to the purchase of the building by Council (annual lease cost of \$2.6 million)
- (ii) A new lease with Australian Pacific Touring (APT) is in place for level 3 and 4 of 1230 Nepean Highway plus car parks, with lease payments commencing in September 2011. The lease, combined with telecommunication rents, generates more than \$1 million annually.

36 Related Party Transactions

(a) Identity of Responsible Persons

The Councillors of the City of the Kingston during the year were:

S Staikos	Mayor	(1 July 2010 - 1 December 2010)
	Councillor	(2 December 2010 – 30 June 2011)
R Brownlees	Councillor	(1 July 2010 – 1 December 2010)
	Mayor	(2 December 2010 - 30 June 2011)
J M Ronke	Councillor	(1 July 2010 – 30 June 2011)
R A West OAM	Councillor	(1 July 2010 – 30 June 2011)
P Peulich	Councillor	(1 July 2010 – 30 June 2011)
A Athanasopoulos	Councillor	(1 July 2010 – 30 June 2011)
L Dundas	Councillor	(1 July 2010 – 30 June 2011)
T Shewan	Councillor	(1 July 2010 – 30 June 2011)
D Bauer	Councillor	(1 July 2010 – 1 December 2010)
D Moloney	Councillor	(11 January 2010 - 30 June 2011)

The Chief Executive Officer of the City of Kingston during the year was:

J A Nevins	Chief Executive Officer
------------	-------------------------

(b) Remuneration of Responsible Persons

Income Range:	2011 No.	2010 No.
\$ 10,000-\$ 19,999	-	-
\$ 20,000-\$ 29,999	7	7
\$ 50,000-\$ 59,999	-	1
\$ 60,000-\$ 69,999	2	1
\$ 300,000-\$ 349,999	1	1
	10	10

	\$('000)	\$('000)
Total Remuneration for the reporting year for Responsible persons included above amounted to*:	642	624

* Total includes 9% super.

- (i) No retirement benefits have been made by the Council to a Responsible Person (2009/10: Nil).
- (ii) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2009/10: Nil)
- (iii) Other related party transactions have been considered and there are no matters to report (2009/10: Nil).

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

36 Related Party Transactions (continued)

(c) Senior Officer Remuneration

A Senior Officer other than a Responsible Person is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer or whose total annual remuneration exceeds \$124,000.

The number of Senior Officers other than the Responsible Persons are shown below in their relevant income bands:

Income Range:	2011 No.	2010 No.
\$124,000 - \$129,999	4	2
\$130,000 - \$139,999	3	5
\$140,000 - \$149,999	3	3
\$150,000 - \$159,999	5	2
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	-	-
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	2	1
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	1	2
\$220,000 - \$229,999	1	-
	20	16

	\$('000)	\$('000)
Total Remuneration for the reporting year of Senior Officers included above amounted to:	3,096	2,469

37 Financial Instruments

(a) Terms, conditions, and accounting policies

Council's accounting policies, including the terms and conditions of each class of financial asset and financial liability at balance date are as follows:

Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Cash & Cash Equivalents	15	Cash on hand and at bank are valued at face value. Investment funds are valued at cost. Interest revenues are recognised as they accrue. Investments are held to maximise interest returns of surplus cash.	Cash on hand and at call returned an interest rate of between 4.9% to 4.9% (2009/10 3.5% to 4.0%). Funds returned a fixed interest rate of between 5.0% to 6.0% (2009/10 2.5% to 6.1%)
Other Debtors	17	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debt is recognised when there is objective evidence that collection in full is no longer possible. Collectability of overdue amounts is assessed on an on-going basis.	Other Debtors are unsecured and interest free. Credit terms are usually up to 60 days.
(ii) Financial Liabilities			
Trade & Other Payables	22	Liabilities are recognised for amounts to be paid in the future for goods received and services provided to Council, whether or not invoices have been received.	Creditors are unsecured and not subject to interest charges. Liabilities are normally settled within 30 days of invoice receipt.
Interest-Bearing Loans & Borrowings	24	Loans 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 it becomes due and recognised as part of payables	Borrowings are secured by a mortgage over the rate revenue of Council. The interest rate for individual loans is fixed for the period of the loan. Loans are repayable in equal installments comprising interest plus principal. Interest is payable in arrears. Interest rates for general loans are in the range of 6.02% to 6.28% (2009/10 6.28% to 6.4%)

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

37 Financial Instruments (continued)

(b) Interest Rate Risk

Council's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are as follows:
Year Ended 30 June 2011

Financial Instrument	Note	Floating Interest Rate \$('000)	Fixed Interest Maturing In:			Non Interest Bearing \$('000)	Carrying Amount \$('000)	Weighted Average Interest Rate %
			1 Year or Less \$('000)	Over 1 to 5 Years \$('000)	Over 5 Years \$('000)			
(i) Financial Assets								
Cash and Cash Equivalents	15	39,428	-	-	-	15	39,443	5.6%
Other Debtors	17	-	-	-	-	1,878	1,878	-
Total		39,428	-	-	-	1,893	41,321	-
(ii) Financial Liabilities								
Trade & other Payables	22	-	-	-	-	10,293	10,293	-
Trust Funds & Deposits	25	-	-	-	-	11,705	11,705	-
Interest-Bearing Loans & Borrowings	24	-	641	1,534	19,232	-	21,407	6.02%
Total		-	641	1,534	19,232	21,998	43,405	-
Net Financial Assets (Liabilities)		39,428	(641)	(1,534)	(19,232)	(20,105)	(2,084)	-

Council's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities were as follows:
Year Ended 30 June 2010

Financial Instrument	Note	Floating Interest Rate \$('000)	Fixed Interest Maturing In:			Non Interest Bearing \$('000)	Carrying Amount \$('000)	Weighted Average Interest Rate %
			1 Year or Less \$('000)	Over 1 to 5 Years \$('000)	Over 5 Years \$('000)			
(i) Financial Assets								
Cash & Cash Equivalents	15	35,721	-	-	-	20	35,741	4.38%
Other Debtors	17	-	-	-	-	2,598	2,598	-
Total		35,721	-	-	-	2,618	38,339	-
(ii) Financial Liabilities								
Trade & other Payables	22	-	-	-	-	9,912	9,912	-
Trust Funds & Deposits	25	-	-	-	-	12,622	12,622	-
Interest-Bearing Loans & Borrowings	24	-	2,286	204	-	2,490	2,490	6.28%
Total		-	2,286	204	-	25,024	25,024	-
Net Financial Assets (Liabilities)		35,721	(2,286)	(204)	-	(22,406)	13,315	-

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

37 Financial Instruments (continued)

(c) Net Fair Value

The aggregate net fair values of financial assets and financial liabilities as at balance date are as follows:

Financial Instrument	Note	2011		2010	
		Carrying Amount \$('000)	Net Fair Value \$('000)	Carrying Amount \$('000)	Net Fair Value \$('000)
(i) Financial Assets					
Cash and Cash Equivalents	15	39,443	39,443	35,741	35,741
Other Debtors	17	1,878	1,878	2,598	2,598
		41,321	41,321	38,339	38,339
(ii) Financial Liabilities					
Trade and other Payables	22	10,293	10,293	9,912	9,912
Trust funds and deposits	25	11,705	11,705	12,622	12,622
Interest-Bearing Loans and Borrowings	24	21,407	21,407	2,490	2,490
		43,405	43,405	25,024	25,024

The following methods and assumptions have been used to determine the net fair value of financial assets and financial liabilities:

Cash, Other Debtors, Other Financial Assets and Trade and other Payables, Trust funds and Deposits - the carrying amount approximates fair value because of the short term to maturity.

Interest-Bearing Loans and Borrowings - the carrying amount approximates the net fair value.

(d) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Balance Sheet.

(e) Risks and Mitigation

Market Risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

Council manages interest rate risk through operating and capital budgeting strategies to ensure an appropriate use of debt and investing surplus funds and sourcing borrowings through competitive processes.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

37 Financial Instruments (continued)

(e) Risks and Mitigation (continued)

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to Council. We have exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Trade and Other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because apart from the Victorian Government we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised. Details of the ageing of receivables and doubtful debt movements are disclosed in Note 17.

The carrying amount of financial assets recorded in the Balance Sheet, net of any provision for losses, represents Council's maximum exposure to credit risk. We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 34.

Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts.

	6 months Or less	6-12 months	1-2 years	2-5 years	> 5 years	Contracted Cash Flow	Carrying Amount
2011	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Trade and Other Payables	10,293	-	-	-	-	10,293	10,293
Trust Funds and Deposits	6,544	5,161	-	-	-	11,705	11,705
Interest Bearing Loans and Borrowings	1,125	930	1,859	5,578	36,257	45,749	45,749
Total Financial Liabilities	17,962	6,091	1,859	5,578	36,257	67,747	67,747

	6 months Or less	6-12 months	1-2 years	2-5 years	> 5 years	Contracted Cash Flow	Carrying Amount
2010	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)	\$('000)
Trade and Other Payables	9,912	-	-	-	-	9,912	9,912
Trust Funds and Deposits	5,539	7,083	-	-	-	12,622	12,622
Interest Bearing Loans and Borrowings	1,198	1,178	201	5	-	2,582	2,582
Total Financial Liabilities	16,649	8,261	201	5	-	25,116	25,116

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

37 Financial Instruments (continued)

(f) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +2% and -2% in market interest rates (AUD) from year-end rates of 4.4%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year-end, if the above movements were to occur.

2011	Carrying Amount Subject to Interest \$('000)	Interest rate risk			
		-2% 200 basis points Profit \$('000)	Equity \$('000)	2% 100 basis points Profit \$('000)	Equity \$('000)
Financial assets:					
Cash and cash equivalents	39,428	(789)	(789)	789	789
Financial Liabilities:					
Interest-bearing loans and borrowings	21,407	428	428	(428)	(428)

2010	Carrying Amount Subject to Interest \$('000)	Interest rate risk			
		-2% 200 basis points Profit \$('000)	Equity \$('000)	2% 100 basis points Profit \$('000)	Equity \$('000)
Financial assets:					
Cash and cash equivalents	35,721	(714)	(714)	714	714
Financial Liabilities:					
Interest-bearing loans and borrowings	2,490	50	50	(50)	(50)

38 Financial Ratios

	2011	2010	2009
Debt Servicing Ratio			
Debt Servicing Costs	784	256	367
Total Revenue	152,879	159,063	142,137
	0.51%	0.16%	0.26%

This ratio identifies the capacity of Council to service its outstanding debt. A decrease indicates an improvement in the ratio.

Debt Commitment Ratio			
Debt servicing and redemption costs	3,367	2,458	2,436
Rate revenue	93,251	85,631	79,572
	3.61%	2.87%	3.06%

This ratio identifies Council's debt redemption strategy. The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal. A decrease indicates an improvement in the ratio.

Revenue Ratio			
Rate revenue	93,251	85,631	79,572
Total Revenue	152,879	159,063	142,137
	61.00%	53.83%	55.98%

This ratio identifies Council's dependence on non-rate income. An increase indicates an improvement in Council's ability to raise revenue from its own sources.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

38 Financial Ratios (continued)

	2011	2010	2009
Debt Exposure Ratio			
Total indebtedness	54,863	36,750	35,630
Total realisable assets	1,192,137	1,163,514	1,002,574
	4.60%	3.16%	3.55%

This ratio enables assessment of Council's solvency and exposure to debt. A decrease indicates an improvement in the ratio.

Working Capital Ratio			
Current assets	46,902	44,250	40,225
Current liabilities	31,827	33,614	30,272
	147.37%	131.64%	132.88%

This ratio assesses Council's ability to meet current commitments. An increase indicates an improvement in the ratio.

Adjusted Working Capital Ratio			
Current assets	46,902	44,250	40,225
Reduced Current liabilities (i)	27,269	29,256	26,713
	172.00%	151.25%	150.58%

This ratio assesses Council's ability to meet current commitments. An increase indicates an improvement in the ratio.

(i) Current liabilities have been reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

Definitions:

"Current Assets"	means cash or other assets of the entity that would in the ordinary course of the operations of Council be consumed or converted into cash within twelve months after the end of the last reporting period of Council.
"Current Liabilities"	means the total current liabilities as shown in the Balance Sheet
"Reduced Current Liabilities"	means the total current liabilities reduced to reflect the long service leave that is shown as a current liability because council does not have an unconditional right to defer settlement of the liability until at least 12 months after the reporting date, but is not likely to fall due within 12 months after the end of the period
"Debt Redemption"	includes the principal component of repayments on loans and finance leases and capital items purchased on vendor terms, and contributions to sinking funds.
"Debt Servicing Costs"	includes interest and charges on loans, overdrafts, finance leases, and interest on payments for capital items purchased on vendor terms.
"Rate Revenue"	includes revenue from general rates, municipal charges, special rates, special charges, service rates, and service charges.
"Total Indebtedness"	means total liabilities, both current and non-current, as shown in the Balance Sheet.
"Total Realisable Assets"	means total current and non-current assets, as shown in the Balance Sheet, that are not subject to any restriction and are able to be realised. Any liability represented by a restricted asset (Note 16) is excluded from total indebtedness.
"Total Revenue"	means total revenue as shown in the Income Statement.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

39 Capital Expenditure

Capital Expenditure Areas:	Note	2011 \$('000)	2010 \$('000)
Land		3,383	748
Land Improvements		2,078	5,148
Buildings (i)		22,762	3,530
Building Improvements		338	368
Plant		483	183
Library Books		893	878
Equipment		1,417	1,428
Transport		8,998	9,494
Drainage		2,355	401
Other		48	371
Total Capital Works		42,755	22,549

Represented by:	Note	2011 \$('000)	2010 \$('000)
New Library Books		893	878
New Buildings		22,763	3,530
New Equipment		1,417	1,428
Capital Expansion	(a)	2,903	2,116
Capital Renewal	(b)	9,915	9,986
Capital Upgrade	(c)	4,864	4,611
Total Capital Works		42,755	22,549

(i) New buildings for 2011 includes the purchase of Council's head office in December 2010 at 1230 Nepean Highway Cheltenham for \$21.5 million.

Property, plant and equipment, infrastructure movement

The movement between the previous year and the current year in property, plant and equipment, infrastructure as shown in the Balance Sheet links to the net of the following items:

	Note	2011 \$('000)	2010 \$('000)
Total capital works		42,755	22,549
Other additions (including Found Assets)	7	1,514	1,338
Contributions – non-monetary assets	5	560	13,722
Asset revaluation movement	28	78,224	153,750
Depreciation/amortisation	12	(18,078)	(17,076)
Written down value of assets sold		(260)	(130)
Reclassification of Assets		(24)	(258)
Net movement in property, plant and equipment, infrastructure	19	104,691	173,895

(a) Renewal

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

39 Capital Expenditure (continued)

(b) Upgrade

Expenditure that enhances an existing asset to provide a higher level of service or expenditure, that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base.

(c) Expansion

Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.

40 Events Occurring After Balance Date

Council has not received any information after the reporting date about conditions that existed at the reporting date which requires disclosure.

In addition, there are no material non-adjusting events after the reporting date which requires disclosure.

41 Reportable Segment - Residential Aged Care Facilities

Residential Aged Care Facilities Income Statement For the Year Ended 30 June 2011

	Corben 2011 \$('000)	Northcliffe 2011 \$('000)	Nixon 2011 \$('000)	Consolidated 2011 \$('000)	Corben 2010 \$('000)	Northcliffe 2010 \$('000)	Nixon 2010 \$('000)	Consolidated 2010 \$('000)
INCOME								
Grants and Subsidies	1,139	1,185	1,279	3,603	925	1,126	958	3,009
User Charges	758	756	577	2,091	689	707	497	1,893
Interest	308	146	171	625	286	165	150	601
Retentions and Bond Interest	180	118	164	462	163	87	113	363
Total Income	2,385	2,205	2,191	6,781	2,063	2,085	1,718	5,866
EXPENSE								
Employee Benefits	1,604	1,639	1,774	5,017	1,423	1,553	1,404	4,380
Materials and Services	442	375	460	1,277	367	418	368	1,153
Corporate Overhead	147	192	115	454	147	192	115	454
Depreciation & Amortisation	122	118	122	362	117	114	81	312
Impairment Loss – Bed Licences	759	541	234	1,534	-	-	-	-
Total Expenses	3,074	2,865	2,705	8,644	2,054	2,277	1,968	6,299
SURPLUS (DEFICIT) FOR THE PERIOD	(689)	(660)	(514)	(1,863)	9	(192)	(250)	(433)

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

41 Reportable Segment - Residential Aged Care Facilities (continued)

Residential Aged Care Facilities
Balance Sheet As at 30 June 2011

	Corben 2011 \$('000)	Northcliffe 2011 \$('000)	Nixon 2011 \$('000)	Consolidated 2011 \$('000)	Corben 2010 \$('000)	Northcliffe 2010 \$('000)	Nixon 2010 \$('000)	Consolidated 2010 \$('000)
CURRENT ASSETS								
Cash and Cash Equivalents	5,076	2,748	986	8,810	5,963	2,356	1,657	9,976
Total Current Assets	5,076	2,748	986	8,810	5,963	2,356	1,657	9,976
NON CURRENT ASSETS								
Infrastructure, Property, Plant and Equipment	5,113	5,003	4,265	14,381	4,920	4,990	4,181	14,091
Intangible Assets	-	-	-	-	2,530	2,850	1,620	7,000
Total Non Current Assets	5,113	5,003	4,265	14,381	7,450	7,840	5,801	21,091
TOTAL ASSETS	10,189	7,751	5,251	23,191	13,413	10,196	7,458	31,067
CURRENT LIABILITIES								
Trade and Other Payables	8	12	11	31	22	15	19	56
Employee Benefits	164	93	147	404	166	146	168	480
Trust Funds	5,206	2,559	2,557	10,322	5,954	2,183	2,818	10,955
Total Current Liabilities	5,378	2,664	2,715	10,757	6,142	2,344	3,005	11,491
NON CURRENT LIABILITIES								
Employee Benefits	150	59	65	274	140	111	81	332
Trust Funds	-	-	-	-	-	-	-	-
Total Non Current Liabilities	150	59	65	274	140	111	81	332
TOTAL LIABILITIES	5,528	2,723	2,780	11,031	6,282	2,455	3,086	11,823
NET ASSETS	4,661	5,028	2,471	12,160	7,131	7,741	4,372	19,244
EQUITY								
Accumulated Surplus	767	1,366	656	2,789	1,587	2,262	1,172	5,021
Asset Revaluation Reserve	3,393	3,067	1,358	7,818	5,008	4,793	2,994	12,795
Asset Replacement Reserve	501	595	457	1,553	536	686	206	1,428
TOTAL EQUITY	4,661	5,028	2,471	12,160	7,131	7,741	4,372	19,244

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

41 Reportable Segment - Residential Aged Care Facilities (continued)

Residential Aged Care Facilities

Cash Flow Statement For the Year Ended 30 June 2011

	Corben 2011 \$('000)	Northcliffe 2011 \$('000)	Nixon 2011 \$('000)	Consolidated 2011 \$('000)	Corben 2010 \$('000)	Northcliffe 2010 \$('000)	Nixon 2010 \$('000)	Consolidated 2010 \$('000)
	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities								
Grants and Subsidies	1,139	1,185	1,279	3,603	925	1,126	958	3,009
User Charges	758	756	577	2,091	689	707	497	1,893
Interest	308	296	171	775	285	165	150	601
Payments to Employees	(1,604)	(1,639)	(1,774)	(5,017)	(1,398)	(1,553)	(1,384)	(4,335)
Payments to Suppliers	(442)	(275)	(360)	(1,077)	(317)	(372)	(318)	(1,007)
Other Payments	(147)	(142)	(115)	(404)	(107)	(192)	(115)	(414)
Net cash provided by (used in) operating activities	12	181	(222)	(29)	77	(119)	(212)	(253)
Cash flows from investing activities								
Payments for property, infrastructure, plant and equipment	(150)	(166)	(187)	(503)	(40)	(166)	(187)	(393)
Net cash (used in) investing activities	(150)	(166)	(187)	(503)	(40)	(166)	(187)	(393)
Cash flows from financing activities								
Trust Funds	(748)	377	(261)	(632)	880	(547)	602	935
Net cash provided by financing activities	(748)	377	(261)	(632)	880	(547)	602	935
Net increase in cash and cash equivalents	(886)	392	(670)	(1,164)	918	(832)	203	289
Cash and cash equivalents at the beginning of the financial year	5,962	2,357	1,658	9,977	5,044	3,189	1,455	9,688
Cash and cash equivalents at the end of the financial year	5,076	2,749	988	8,813	5,962	2,357	1,658	9,977

42 Income, Expenses and Assets by Function/ Activity

The activities relating to the municipality's components are as follows:

Community Sustainability

Community Sustainability includes the departments of Family, Youth and Children's Services, Community Services, Libraries and Education Services, Community Buildings and AccessCare Southern. The Family, Youth and Children's Services department provides a diverse range of high quality services to meet the needs of families with children from birth to twenty five years. Community Services provides community-based support services to all people in the municipality including aged and disability support, community engagement and hostel care. Library Services provides support and education through the provision of library and information services to the community. AccessCare Southern is responsible for the delivery of a number of Victorian and Commonwealth funded aged and disability services. The teams within Leisure and Culture have now been split as explained below.

Notes to the Financial Statements

Kingston City Council for the year ended 30 June 2011

NOTE

42 Income, Expenses and Assets by Function/ Activity (continued)

Corporate Services

Corporate Services plays a pivotal role in co-ordinating Council's financial, procurement, property and information services requirements. The Finance department is responsible for the reporting and management of Council's finances and ensuring Council's compliance with statutory financial and reporting obligations, preparation of the annual budget and five year financial plan. The procurement and contracts department are responsible for procurement and the purchasing, maintenance and administration of Council's 200 vehicle fleet. The Information Services Department provides information systems and services that ensure the quality, security and accessibility of data and information to Council. Property Services manages Council's property portfolio including commercial and community leases, acquisitions, disposals, title management and the Lease Register. The Property Services Manager is also now responsible for Arts and Cultural Services (previously under Community Sustainability) and Council's Leisure Centres. In addition to corporate activities, Corporate Services is also responsible for the Statutory Education & Compliance department which includes the administration of health and local laws (previously under the Community Sustainability Division).

Executive Services and Organisational Development and Governance

Includes the Office of the CEO, People and Culture, Governance and Performance Planning, Customer Service and Council's Communications and Public Affairs programs. People and Culture develop policies and provide advice and support on all employee related issues including induction, training, professional development and performance management. Governance promote and improve the effectiveness and probity of governance processes, OHS, Council and Community planning and performance reporting. The Communications and Public Affairs department are responsible for a community centric employee approach resulting in satisfying customer interactions. The Communications and Public Affairs department also includes the planning and delivery of major festivals and events (previously part of Leisure and Culture under Community Sustainability) as well as the development, implementation and management of strategies, programs and media relations to market Council services and programs and enhance the image and public perception of Kingston City Council.

Environmental Sustainability

Environmental Sustainability is responsible for assessing demand, priorities, service level achievement, and delivery methods for both Council and external service providers in the key segment areas of economic development, environment & infrastructure. Also included under this division is the maintenance of parks, gardens, drains, roads and footpaths; cleansing of streets and the foreshore. Environmental Sustainability also has responsibility for ensuring that economic development within the municipality occurs within an environmentally sustainable framework. The Environmental Sustainability Division also now includes the Sport and Recreation team (previously part of Leisure and Culture under Community Sustainability).

Central

This category represents items of a corporate nature such as rates income and depreciation.

Functions		Grants		Total Income		Expenses		Profit (Loss) Arising From Operations		Total Assets
		\$('000)	\$('000)	\$('000)	%	\$('000)	%	\$('000)	\$('000)	
Community Sustainability	2010	21,117	6,986	28,103	18	41,450	31	(13,347)	-	
	2011	21,907	7,289	29,196	19	45,154	32	(15,958)	-	
Corporate Services (i)	2010	182	26,652	26,834	17	26,949	20	(115)	-	
	2011	236	12,856	13,092	9	25,134	18	(12,042)	-	
Executive and Organisational Development	2010	27	265	292	-	6,122	5	(5,830)	-	
	2011	50	261	311	-	6,918	5	(6,607)	-	
Environmental Sustainability	2010	601	5,069	5,670	4	35,508	26	(29,838)	-	
	2011	822	5,734	6,556	4	38,777	27	(32,221)	-	
Central (ii)	2010	7,420	90,745	98,165	62	25,006	19	73,159	2,270,625	
	2011	5,468	98,255	103,723	68	27,052	19	76,671	2,371,341	
TOTAL	2010	29,346	129,717	159,063	100	135,036	100	24,027	2,270,625	
	2011	28,483	124,395	152,878	100	143,035	100	9,843	2,371,341	

(i) Corporate Services 'Other Income' includes \$560k of asset contributions from developers (2009/10: \$13.7 million).

(ii) 'Central' Other Revenue includes \$93.2 million of Rate Revenue (2009/10 \$85.6 million). 'Central' Expenses includes \$18.4 million of Depreciation and Amortisation expense (2009/10 \$17.3 million).

Note: All 2010 balances have been re-stated to incorporate the re-structures outlined on the previous page.

Certification of the Financial Report

Kingston City Council for the year ended 30 June 2011

CERTIFICATION OF THE FINANCIAL REPORT

In my opinion the accompanying financial report has been prepared in accordance with the *Local Government Act* 1989, the Local Government (Finance & Reporting) Regulations 2004, Australian Accounting Standards and other mandatory professional reporting requirements.

Principal Accounting Officer



P. A. Franklin

Dated:

29/8/2011

In our opinion, the accompanying financial report presents fairly the financial transactions of Kingston City Council for the year ended 30 June 2011 and the financial position of the Council as of that date.

As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial report to be misleading or inaccurate. We have been authorised by the Council on 22 August 2011 to certify the Financial Report in its final form on behalf of the Council.

Mayor

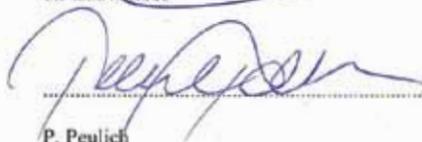


R. Brownlees

Dated:

29/8/11

Councillor

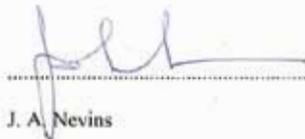


P. Peulich

Dated:

29/8/11

Chief Executive Officer



J. A. Nevins

Dated:

29.8.11

Independent Auditor's Report

Kingston City Council for the year ended 30 June 2011

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Kingston City Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2011 of the Kingston City Council which comprises of comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2011 of the Council which comprises of standard income statement, standard cash flow statement, standard balance sheet, capital works standard statement, the related notes and the certification of the standard statement have been audited.

The Councillor's Responsibility for the Financial Report and Standard Statements

The Councillors of the Kingston City Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in note 1 of the statements and the requirements of the *Local Government Act 1989*.

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report and standard statements based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report and standard statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report and standard statements.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Independent Auditor's Report

Kingston City Council for the year ended 30 June 2011

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Kingston City Council as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

Matters Relating to the Electronic Publication of the Audited Financial Report and Standard Statements

This auditor's report relates to the financial report and standard statements of the Kingston City Council for the year ended 30 June 2011 included both in the Kingston City Council's annual report and on the website. The Councillors of the Kingston City Council are responsible for the integrity of the Kingston City Council's website. I have not been engaged to report on the integrity of the Kingston City Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE
5 September 2011


D D R Pearson
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Glossary

Advocacy: Publicly supporting or recommending programs or services on behalf of the community to other tiers of government or service providers for community benefit.

Best Value: State legislation that requires Council to review services to ensure community expectations and value for money.

Biodiversity: The variety of all living things including plants, animals and micro-organisms, their genes and the ecosystems of which they are a part.

Capital Works Program: Program of scheduled infrastructure works generally encompassing capital works for road, drainage and building assets.

Cities for Climate Protection: An international program that aims to reduce greenhouse gas emissions from local municipalities.

Connect: Kingston's official employee newsletter.

Corporate Plan: A document that sets the strategic priorities for Council for a set period.

Council Plan: The five year Plan for the way in which Council will deliver its five planned Outcomes.

Community Grants: Council allocates a sum of money for the Kingston Community Grants Program as part of the annual budget process. This funding is shared between various non-profit community groups, organisations in need and Village Committees.

Current assets: Cash or other assets of the entity that would in the ordinary course of the operations of Council be consumed or converted into cash within twelve months after the end of the last reporting period of Council.

Current liabilities: The total current liabilities as shown in the Balance Sheet.

Debt redemption: Includes the principal component of repayments on loans and finance leases and capital items purchased on vendor terms, and contributions to sinking funds.

Debt servicing costs: Includes interest and charges on loans, overdrafts, finance leases, and interest on payments for capital items purchased on vendor terms.

Diversity: Understanding that each individual is unique, and recognising our individual differences.

Greenhouse gas emissions: Generated from a large number of processes and from a range of sources. Key sources of greenhouse gases include energy sector (including stationary energy, transport and fugitive emissions), agriculture, land use change and forestry, industrial processes and waste.

Green Wedge: A non-urban area of Kingston defined in the State Government's 2030 Strategy. The area is to be maintained as a predominantly green environment and used for agriculturally aligned industry.

Highways: State Highways are main routes linking interstate or to major regional centres that are managed by VicRoads.

Infrastructure: Stock of fixed capital equipment including roads, public buildings and footpaths.

Kingston Planning Scheme: Outlines State and local planning policies including zones, overlays and other provisions.

Masterplan: A plan which outlines a preferred future vision for a particular area. It is usually developed for an area being considered for redevelopment or redesign.

Landfill: Sites for disposal of non-recyclable waste.

Local roads: The municipal road network, which is maintained by Kingston City Council.

OAM: Order of Australia Medal.

Open Space Strategy: A Council planning tool that guides decisions relating to open space and recreation needs.

Outcomes: Results usually referring to overall benefits for the community.

P.L.A.N: Prosperous Liveable Accessible Neighbourhoods, which is an overarching strategy that defines the future role and functions of the activity centres in the corridor from Moorabbin to Mordialloc.

Rate revenue: Includes revenue from general rates, municipal charges, special rates, special charges, service rates, and service charges.

Reduced current liabilities: Means the total current liabilities reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability until at least 12 months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

Risk management: A policy and process for identifying business risks and controlling the likelihood and/or impact of a risk event occurring.

Structure Plans: A document that provides direction for planning and development of a defined precinct. Structure plans are subject to community consultation and may be incorporated into the Kingston Planning Scheme.

Sustainable: Meets present-day needs without compromising future generations' ability to meet their own needs.

Total indebtedness: Total liabilities, both current and non-current, as shown in the Balance Sheet.

Total realisable assets: Total current and non-current assets, as shown in the Balance Sheet, not subject to any restriction and able to be realised.

Total revenue: Total revenue as shown in the Income Statement.

Triple Bottom Line: Measures community wellbeing by assessing the economic, social and environmental considerations.

Village Committees: Kingston has 10 Village Committees that provide a great opportunity for all residents to raise local issues with Council. Village Committee members represent a cross section of local residents, property owners and representatives of sporting, educational, cultural, business and charitable organisations.

Wellbeing: A general term to encompass health, happiness, welfare, security, comfort, quality of life and a sense of belonging.

Acronyms

ABP: Annual Business Plan	KYC: Kingston Your City newspaper
ABS: Australian Bureau of Statistics	KYSS: Kingston Youth Services Supplement (youth magazine)
CCP: Cities for Climate Protection program	L2P: Learner driver mentor program funded by the Transport Accident Commission
CEO: Chief Executive Officer	LINK: The “Lead, Inspire, and Negotiate at Kingston” review process that recognises employee efforts and achievements, assesses performance and allows for the negotiation of a plan for further development
CFO: Chief Financial Officer	LTFS: Long-Term Financial Strategy
CIL: Community Inspired Leadership	MAV: Municipal Association of Victoria
CIS: Councillor Information Session	MCH: Maternal and Child Health
CLG: Corporate Leadership Group	MOW: Meals on Wheels
CRM: Customer Relationship Management	MPF: Mornington Peninsula Freeway
DEECD: Department of Education and Early Childhood Development	NAMSF: National Asset Management Sustainability Framework
DET: Department of Education and Training	NRA: Natural Resource Area
DHS: Department of Human Services	OD&G: Organisational Development and Governance Division
DIIRD: Department of Innovation, Industry and Regional Development	OHS: Occupational Health and Safety
DOT: Department of Transport	PLA: Parks and Leisure Australia
DPCD: Department for Planning and Community Development	PV: Parks Victoria
DSE: Department for Sustainability and Environment	SEMIP: South East Melbourne Innovation Precinct project
EA: Enterprise Agreement	SES: State Emergency Services
EEO: Equal Employment Opportunity	SLG: Senior Leadership Group
EPA: Environment Protection Authority	SV: Sustainability Victoria
FOI: Freedom of Information	TAC: Transport Accident Commission
GFF: Growing the Foreshore’s Future Program	VAGO: Victorian Auditor-General’s Office
HRIS: Human Resource Information System	VCAT: Victorian Civil and Administrative Tribunal
ICACC: Inter Council Aboriginal Consultative Committee	VEC: Victorian Electoral Commission
ICLEI: International Council for Local Environmental initiatives	VLGA: Victorian Local Governance Association
JTAPP: Job Training and Accessible Parks Program	VMC: Victorian Multicultural Commission
KAC: Kingston Arts Centre	YCC: Youth Consultative Committee

Index

A

AccessCare Southern 7, 72
Acronyms 203
Advocacy 38, 49, 57, 95, 96, 99, 124
Advisory committees 127
Aged care/services 7, 27, 71
Annual report purpose 3
Annual report theme 2
Arts 35, 76, 78, 79
Asset management 9, 45
Asset management strategy 125
Audit committee 99, 122, 123
Australia Day 31, 34
Awards 24, 31, 93, 106

B

Best value/continuous improvement 121
Biodiversity Strategy 56, 59, 67

C

Capital works 28, 44, 45, 51, 150, 194
Charter of Human Rights 117
Chief Executive Officer's report 11
Chief Financial Officer's report 12, 13
Children's Services 8, 72, 73
Citizenship ceremonies 94, 116
City Strategy 6, 50, 57, 58
Communications and Public Affairs 73, 97
Community
• Connecting with 27, 32, 50, 60, 61, 63, 74, 75, 77, 78, 87, 93, 94, 96, 97, 106, 124, 127, 133
• Consultation 38, 48, 69, 73, 98, 116, 127
• Events 36, 37
• Grants 71, 130
• Network groups/committees 27, 129
Community and Aged Services 7, 50, 72, 75, 77, 79
Community Buildings 8, 48, 51, 98
Community inspired leadership 3, 92
Complaints management 132
Council meetings 94, 111
Council wards and map 109
Councillor ward funds 112-114
Councillors 14-16, 109, 112, 113, 127, 128, 187
Customer service 9, 33, 94, 97, 107, 131, 132

D

Democracy in Kingston 109
Documents available for public inspection 117, 118

E

Economic Development 6, 34, 51, 61, 76, 85, 86, 88
Employee
• Communication 22-24
• General 21, 100, 102, 105, 134, 151, 162, 170
• Health, safety and wellbeing 134
• Learning and development 25, 135
• Profile 21
Events, Arts, Planning and Communications 9
Executive profiles 18-20
External grants/funding 30, 137, 166-168

F

Family, Youth and Children's Services 8, 69, 72, 78
Farmers market 85, 89
Fast facts 44, 56, 71, 85, 94
Festivals and events 34, 35, 75
Financial reporting 136-201
Foreshore 51, 55, 59, 61, 67, 95, 151
Freedom of Information 94, 118, 119

G

Glossary 202
Governance
• Corporate 115, 116
• Democratic 111-114
• System 110
Governance and Performance Planning 9, 95, 98-100

H

History of Kingston 5

I

Information Services 9, 51, 104
Infrastructure 6, 43, 45, 49, 51, 99
Indicators (Triple bottom line)
• Appearance of public places 66
• Beach water quality 66
• Biodiversity 67
• Community engagement satisfaction 106
• Condition of waterways 66
• Diversion of waste from landfill 65
• Economic support services 90
• Enforcement of local laws 80
• Engagement of volunteers in community programs 81
• Financial viability 105
• Greenhouse gas emissions 65
• Infrastructure/road renewal 52
• Insurance risk rating 105
• Kingston cultural activities 83
• Library community contact 83
• Organisational capability 105
• Recreation facilities satisfaction 82
• Residential care services provided 82
• Residents support through Aged Care Hostels 83
• Safe road network 53
• Service contact satisfaction 107
• Support for community groups 81
• Support for youth and families 81
• Support from Aged and Disability Services 82
• Vacancy rates at major strip shopping centres 91
Information privacy 94, 117

J

Junior Mayor 108, 109

K

Kingston Arts Centre 27, 35
Kingston Charitable Trust 37
Kingston Council offices 4, 5, 131
Kingston logo 5
Kingston profile and map 4
Kingston vision and guiding principles 2

L

Leisure and Culture 46, 47, 51, 64
Library and Education Services 7, 27, 51, 69, 71, 78
Local Laws and Health 34, 69, 71, 76, 80, 97, 133

M

Mayor's report and role 10, 109

N

National Competition Policy 126
Net operating result 12

O

Occupational health and safety 93, 100, 101, 103, 121, 134
Organisational chart 17
Outcome 1 – Infrastructure 42
Outcome 2 – Environment 54
Outcome 3 – Community 69
Outcome 4 – Business 84
Outcome 5 – Leadership 92

P

Parks and Depot Operations 6, 47, 59, 60, 77, 95, 103
Parks, playgrounds and open space 43, 44, 47, 125
People and Culture 9, 100, 102
Performance statements 137-143
Procurement and Contracts 9
Property Services 8, 46, 101

R

Rates at work 6
Remuneration 112, 115, 188
Risk Management 103, 120, 135
Roads and drains 44, 49, 51, 125, 151

S

Seniors activities 34, 69, 70
Standard statements 144-152
Statutory Education and Compliance 7
Statutory Planning 6, 44
Sustainability
• Economic 61, 63, 85, 88, 93, 101
• Environmental 56-66, 95, 96, 103, 198
• Social 69, 74, 75, 77

T

Traffic, parking and transport 49, 51, 96

V

Variance explanations 149, 151
Victorian Local Government Indicators 124
Village Committees 94, 128-130
Volunteers 26, 27, 81, 128, 129

W

Waste management 56, 59, 63, 131
Whistleblowers protection 119

Y

Youth Services 27, 69, 78