

Yorke Peninsula Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

We will foster opportunities to support and enhance Yorke Peninsula which is valued for its natural beauty, rich agriculture, spectacular coastline and unique blend of seaside and rural lifestyles.



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Council Certificate	3
2. Principal Financial Statements:	
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
3. Notes to and forming part of the Principal Financial Statements	8
4. Independent Auditor's Report – Financial Statements	46
5. Independent Auditor's Report – Internal Controls	47
6. Certificates of Audit Independence	
Council Certificate of Audit Independence	48
Audit Certificate of Audit Independence	49

General Purpose Financial Statements
for the year ended 30 June 2020

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Andrew Cameron
Chief Executive Officer

Date:

Darren Braund
Mayor

Date:

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates	2a	23,297	23,021
Statutory Charges	2b	416	404
User Charges	2c	3,702	3,743
Grants, Subsidies and Contributions	2g	4,662	3,957
Investment Income	2d	165	231
Reimbursements	2e	395	277
Other income	2f	188	217
Total Income		<u>32,825</u>	<u>31,850</u>
Expenses			
Employee costs	3a	9,011	8,748
Materials, Contracts and Other Expenses	3b	12,706	13,049
Depreciation, Amortisation and Impairment	3c	11,242	10,591
Finance Costs	3d	351	386
Total Expenses		<u>33,310</u>	<u>32,774</u>
Operating Surplus / (Deficit)		<u>(485)</u>	<u>(924)</u>
Physical Resources Received Free of Charge	2i	26	49
Asset Disposal & Fair Value Adjustments	4	(2,895)	(1,254)
Amounts Received Specifically for New or Upgraded Assets	2g	646	36
Net Surplus / (Deficit)		<u>(2,708)</u>	<u>(2,093)</u>
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	(28,349)	14,253
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	9a	(51)	(54)
Total Amounts which will not be reclassified subsequently to operating result		<u>(28,400)</u>	<u>14,199</u>
Total Other Comprehensive Income		<u>(28,400)</u>	<u>14,199</u>
Total Comprehensive Income		<u>(31,108)</u>	<u>12,106</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	6,469	7,771
Trade & Other Receivables	5b	2,020	2,068
Inventories	5c	348	376
Total current assets		8,837	10,215
Non-current assets			
Financial Assets	6	536	635
Infrastructure, Property, Plant & Equipment	7a	274,876	304,731
Total non-current assets		275,412	305,366
TOTAL ASSETS		284,249	315,581
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	2,481	1,899
Borrowings	8b	856	831
Provisions	8c	2,450	2,361
Total Current Liabilities		5,787	5,091
Non-Current Liabilities			
Trade & Other Payables	8a	114	–
Borrowings	8b	6,632	7,472
Provisions	8c	237	282
Total Non-Current Liabilities		6,983	7,754
TOTAL LIABILITIES		12,770	12,845
Net Assets		271,479	302,736
EQUITY			
Accumulated surplus		(17,836)	(14,601)
Asset revaluation reserves	9a	286,700	315,100
Other reserves	9b	2,615	2,237
Total Equity		271,479	302,736

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020					
Balance at the end of previous reporting period		(14,601)	315,100	2,237	302,736
Adjustments (due to compliance with revised Accounting Standards) - not retrospective		(149)	-	-	(149)
Net Surplus / (Deficit) for Year		(2,708)	-	-	(2,708)
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(28,349)	-	(28,349)
- IPP&E Impairment (Expense) / Recoupments Offset to ARR	7a	-	(51)	-	(51)
Other comprehensive income		-	(28,400)	-	(28,400)
Total comprehensive income		(2,708)	(28,400)	-	(31,108)
Transfers between Reserves		(378)	-	378	-
Balance at the end of period		(17,836)	286,700	2,615	271,479
2019					
Balance at the end of previous reporting period		(11,860)	300,901	1,589	290,630
Net Surplus / (Deficit) for Year		(2,093)	-	-	(2,093)
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	14,253	-	14,253
- IPP&E Impairment (Expense) / Recoupments Offset to ARR	7a	-	(54)	-	(54)
Other comprehensive income		-	14,199	-	14,199
Total comprehensive income		(2,093)	14,199	-	12,106
Transfers between Reserves		(648)	-	648	-
Balance at the end of period		(14,601)	315,100	2,237	302,736

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		23,116	23,089
Statutory Charges		416	404
User Charges		3,702	3,743
Grants, Subsidies and Contributions (operating purpose)		5,014	3,957
Investment Receipts		165	231
Reimbursements		395	277
Other Receipts		383	167
<u>Payments</u>			
Finance Payments		(351)	(386)
Payments to Employees		(8,939)	(8,765)
Payments for Materials, Contracts & Other Expenses		(12,471)	(12,640)
Net cash provided by (or used in) Operating Activities	11b	11,430	10,077
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		646	36
Sale of Replaced Assets		405	348
Sale of Surplus Assets		–	818
Repayments of Loans by Community Groups		192	89
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(11,012)	(9,500)
Expenditure on New/Upgraded Assets		(2,030)	(713)
Loans Made to Community Groups		(96)	(128)
Net cash provided (or used in) investing activities		(11,895)	(9,050)
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		–	1,916
Proceeds from Bonds & Deposits		–	1
<u>Payments</u>			
Repayments of Borrowings		(815)	(1,328)
Repayment of Finance Lease Liabilities		(19)	–
Repayment of Bonds & Deposits		(3)	–
Net Cash provided by (or used in) Financing Activities		(837)	589
Net Increase (Decrease) in Cash Held		(1,302)	1,616
plus: Cash & Cash Equivalents at beginning of period		7,771	6,155
Cash and cash equivalents held at end of period	11a	6,469	7,771

Additional Information:

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2	Income	17
3	Expenses	20
4	Asset Disposal & Fair Value Adjustments	21
5	Current Assets	22
6	Non-Current Assets	22
7	Infrastructure, Property, Plant & Equipment	23
8	Liabilities	26
9	Reserves	27
10	Assets Subject to Restrictions	28
11	Reconciliation to Statement of Cash Flows	29
12a	Functions	30
12b	Components of Functions	31
13	Financial Instruments	32
14	Capital and Other Expenditure Commitments	36
15	Financial Indicators	37
16	Uniform Presentation of Finances	40
17	Leases	41
18	Superannuation	43
19	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	44
20	Events after the Balance Sheet Date	44
21	Related Party Transactions	45

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

(2) The Local Government Reporting Entity

Yorke Peninsula Council is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 8 Elizabeth Street, Maitland. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

(3) Income Recognition

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Differenece
2017/18	\$2,293,271	\$2,218,129	+ \$75,142
2018/19	\$3,440,144	\$2,635,769	+ \$804,375
2019/20	\$2,289,861	\$2,645,061	- \$355,200

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(4) Cash, Cash Equivalents and other Financial Instruments

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

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

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

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

(5) Inventories

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

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$5,000
Park & Playground Furniture & Equipment	\$2,000
Paving & footpaths, Kerb & Gutter	\$5,000 (2018/19: \$2,000)
Drains & Culverts	\$5,000
Road construction & reconstruction	\$10,000
Computer software	\$5,000 (New threshold category)
All other assets	\$1,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

Useful life estimates from 1 July 2019:

Building & Other Structures

Buildings (with components)	10 to 100 years
Buildings (no components)	20 to 100 years
Structures	5 to 100 years

Stormwater Drainage

Concrete Stormwater Pipes	100 years (New asset category)
Plastic Stormwater Pipes	70 years (New asset category)
Stormwater Box Culverts	80 years (New asset category)
Stormwater Spoon Drains	50 years (New asset category)
Stormwater Open Drain Surfaces	30 to 50 years (New asset category)
Stormwater Nodes	75 years (2018/19: 25 to 50 years)
Headwalls	70 years (New asset category)
Civil Assets at Pump Stations and Storage Sites	50 years (New asset category)
Safety Equipment at Pump Stations	25 years (New asset category)
Electrical Assets at Pump Stations	10 to 25 years (New asset category)
Mechanical Assets at Pump Stations	20 to 25 years (New asset category)
Pumps at Pumping and Reuse Sites	15 years (New asset category)
Hardstand areas at pump station sites	Non-depreciable (New asset category)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Community Wastewater Management Schemes

Collection Nodes	50 to 70 years (2018/19: 20 to 70 years)
Collection Pipes	50 to 80 years (2018/19: 50 to 70 years)
Pumping Station Civil Assets	25 to 50 years (New asset category)
Pumping Station Electrical Assets	10 to 25 years (New asset category)
Pumping Station Pumps & Valves	15 to 20 years (New asset category)
Wastewater Treatment Plant Civil Assets	25 to 50 years (New asset category)
Wastewater Treatment Plant Electrical Assets	10 to 25 years (New asset category)
Wastewater Treatment Plant Pumps, Other Mechanical & Safety Assets	15 to 25 years (New asset category)

Transport Infrastructure

Sealed Roads (Upper Surface)	17 to 30 years
Sealed Roads (Lower Surface)	102 to 180 years (2018/19: 80 to 90 years)
Sealed Roads (Pavement)	80 to 90 years
Unsealed Roads (Wearing Surface)	15 to 30 years (2018/19: 15 to 50 years)
Unsealed Roads (Low Base & Earthworks)	90 to 240 years (2018/19: 90 to 400)
Paving & Footpaths	30 to 60 years
Drains, Kerb & Gutter	80 years
Walking Trails	30 years
Airfields	20 to 80 years

Water Scheme Infrastructure

Potable Water Nodes	25 to 60 years
Potable Water Pipes	60 to 100 years
Potable Water Pumping, Storage & Treatment	10 to 50 years (2018/19: 15 to 50 years)

Plant, Equipment & Other Assets

Fleet Vehicles	2 years (Residual 55%)
Major Plant	5 to 25 years (Residual 5-35%)
Minor Plant	5 to 60 years
Information Technology	3 to 20 years
Furniture & Other Equipment	5 to 100 years
Other Assets	5 to 100 years
Carparks	30 to 60 years

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

6.6 Borrowing Costs

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

(7) Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

(9) Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

9.2 Superannuation

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

(10) Provisions for Reinstatement, Restoration and Rehabilitation

Council has a recorded Provision for future restoration liability which facilitates for the rehabilitation of the following four closed landfill sites Arthurton, Ramsey, Warooka and Wool Bay. Council will annually review and update where deemed necessary the liability recorded to ensure the liability disclosed in Note 8 accurately reflects the future landfill monitoring obligations of the Council.

Future estimates are based on historical rehabilitation and monitoring expenditure patterns, and are subject to environmental requirements which may change. Significant uncertainty exists in relation to estimated timeframe for which Council remains responsible for rehabilitation of the closed landfill sites.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(11) Leases

Accounting policy applicable from 01 July 2019

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

11.1 Council as a lessee

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. At present right-of-use assets are depreciated between 2-30 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(12) GST Implications

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

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

(13) New accounting standards and UIG interpretations

The Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

The Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to the Council to construct or acquire an asset to be controlled by the Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability "Amounts in Advance" and recorded in revenue as the asset is constructed. The impact of adopting the new standards as at 1 July 2019 was nil.

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2020 as a result of the adoption of AASB 15 and AASB 1058.

The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

Financial Statement Line Item	Amounts Prepared Under AASB15/1058 (\$'000)	Amounts Prepared Under Previous AAS (\$'000)
Grants, subsidies and contributions	\$4,662	\$5,190
Amounts Received Specifically for New or Upgraded Assets	\$646	\$678
Trade and Other Payables (Current)	\$2,481	\$1,885
Trade and Other Payables (Non-Current)	\$114	Nil
Accumulated Surplus	(\$17,836)	(\$17,687)

The Council applied AASB 16 for the first time from 1 July 2019. AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Council adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of Accumulated Surplus as at 1 July 2019 and comparatives have not been restated.

The Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	\$'000
Assets	
IPP&E (right-of-use asset)	4
Total Assets	4
Liabilities	
Interest bearing loans and borrowings	4
Total Liabilities	4
Accumulated Surplus	Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	\$'000
Operating lease commitments as at 30 June 2019	112
Less:	
Commitments relating to short-term leases	35
Commitments relating to leases of low-value assets	73
Lease liabilities as at 1 July 2019	4

(14) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(15) Disclaimer

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income

\$ '000	2020	2019
(a) Rates		
General Rates		
General Rates	18,452	17,826
Less: Mandatory Rebates	(117)	(115)
Less: Discretionary Rebates, Remissions & Write Offs	(21)	(30)
Total General Rates	18,314	17,681
Other Rates (Including Service Charges)		
Natural Resource Management Levy	1,069	1,044
Waste Collection	2,058	2,476
Water Supply	169	163
Community Wastewater Management Systems	1,571	1,515
Separate & Special Rates	48	48
Total Other Rates (Including Service Charges)	4,915	5,246
Other Charges		
Penalties for Late Payment	68	94
Total Other Charges	68	94
Total Rates	23,297	23,021
(b) Statutory Charges		
Development Act Fees	208	192
Health & Septic Tank Inspection Fees	29	34
Animal Registration Fees & Fines	107	105
Parking Fines / Expiation Fees	30	35
Other Registration Fees	12	11
Sundry	30	27
Total Statutory Charges	416	404
(c) User Charges		
Cemetery Fees	23	22
Commercial Activity Revenue	144	135
Hall & Equipment Hire / Property Lease	47	50
Sundry	69	74
Commercial Activity Revenue (Caravan Parks)	2,858	2,913
Boat Ramp Fees	144	157
Refuse Disposal	46	58
Water	175	194
Commercial Activity Revenue (Art Exhibition)	12	-
YP Leisure Options	184	140
Total User Charges	3,702	3,743

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	125	189
- Banks & Other	5	6
- Loans to Community Groups	35	36
<u>Total Investment Income</u>	<u>165</u>	<u>231</u>
(e) Reimbursements		
Private Works	7	-
Community Group Reimbursements	88	93
Insurance Reimbursements	58	87
Government Agencies Reimbursements	35	31
Other	78	66
SAPN Street Lighting Overcharge Reimbursement	129	-
<u>Total Reimbursements</u>	<u>395</u>	<u>277</u>
(f) Other income		
Rebates Received	156	178
Sundry	32	39
<u>Total Other income</u>	<u>188</u>	<u>217</u>
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	646	36
Total Amounts Received Specifically for New or Upgraded Assets	<u>646</u>	<u>36</u>
Other Grants, Subsidies and Contributions	4,662	3,957
Total Other Grants, Subsidies and Contributions	<u>4,662</u>	<u>3,957</u>
<u>Total Grants, Subsidies, Contributions</u>	<u>5,308</u>	<u>3,993</u>
The functions to which these grants relate are shown in Note 12.		
(i) Sources of grants		
Commonwealth Government	2,295	36
State Government	2,832	3,885
Other	181	72
Total	<u>5,308</u>	<u>3,993</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
---------	------	------

(h) Conditions over Grants & Contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

Unexpended at the close of the previous reporting period	2,266	1,408
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Biosecurity Management of Pests and Weeds Grant	(31)	–
CWMS Expansion Grant	(40)	–
National Science Week	–	(3)
Regional Aviation Program Grant	(43)	–
SLGIP - Main Township Footpath Replacement Program	–	(49)
Supplementary Local Road Funding (Paid in Advance)	(405)	–
Untied - Financial Assistance Grants (Paid in Advance)	(1,201)	(1,216)
Subtotal	(1,720)	(1,268)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Biosecurity Management of Pests and Weeds Grant	–	31
CWMS Expansion Grant	67	40
Municipal Services Program South Australia - Point Pearce	10	–
Regional Aviation Program Grant	–	43
Supplementary Local Road Funding (Paid in Advance)	–	811
Untied - Financial Assistance Grants (Paid in Advance)	–	1,201
Subtotal	77	2,126
Unexpended at the close of this reporting period	623	2,266
Net increase (decrease) in assets subject to conditions in the current reporting period	(1,643)	858

(i) Physical Resources Received Free of Charge

Plant, Equipment and Other Assets	26	49
Total Physical Resources Received Free of Charge	26	49

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses

\$ '000	Notes	2020	2019
(a) Employee costs			
Salaries and Wages		8,121	7,631
Employee Leave Expense		693	825
Superannuation - Defined Contribution Plan Contributions	18	646	615
Superannuation - Defined Benefit Plan Contributions	18	188	186
Workers' Compensation Insurance		290	246
Other		309	305
Less: Capitalised and Distributed Costs		(1,236)	(1,060)
Total Operating Employee Costs		9,011	8,748
Total Number of Employees (full time equivalent at end of reporting period)		116	115
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		23	23
Bad and Doubtful Debts		8	-
Elected Members' Expenses		271	289
Election Expenses		3	62
Operating Lease Rentals - Non-Cancellable Leases			
- Minimum Lease Payments / Leases of Low Value Assets / Short Term Leases	17	73	78
Subtotal - Prescribed Expenses		378	452
(ii) Other Materials, Contracts and Expenses			
Contractors		3,580	3,119
Energy		793	785
Legal Expenses		57	42
Levies Paid to Government - NRM levy		1,069	1,041
Levies - Other		48	53
Parts, Accessories & Consumables		1,090	1,394
Professional Services		540	541
Sundry		560	642
Water		693	652
Insurance		488	470
Professional Services - Waste Management		2,340	2,383
Community Grants / Donations / Sponsorship		159	187
License Fees - Information Technology		279	263
Subscriptions		59	55
Telecommunications - Phones, Internet, Wireless Area Network		217	219
Contribution - Yorke Peninsula Community Transport		71	77
Plant & Machinery - Registration		124	128
Contribution - Regional Development Australia		31	31
Contribution - Yorke Peninsula Tourism		50	53
Bank Charges		80	69
Roadside Vegetation Maintenance - Contractors		-	393
Subtotal - Other Material, Contracts & Expenses		12,328	12,597
Total Materials, Contracts and Other Expenses		12,706	13,049

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	Notes	2020	2019
(c) Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		2,668	2,672
Stormwater Drainage		204	165
CWMS		583	499
Transport Infrastructure		6,061	5,639
Water Scheme Infrastructure		81	70
Right-of-use Assets	17	4	–
Plant, Equipment & Other Assets		1,624	1,546
Subtotal		11,225	10,591
(ii) Impairment			
Buildings & Structures		–	54
CWMS Infrastructure		10	–
Plant, Equipment & Other Assets		17	–
Stormwater Infrastructure		6	–
Water Infrastructure		35	–
Subtotal		68	54
Less: Impairment Expense Offset to Asset Revaluation Reserve	9	(51)	(54)
Total Depreciation, Amortisation and Impairment		11,242	10,591
(d) Finance Costs			
Interest on Loans		351	386
Total Finance Costs		351	386

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2020	2019
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	405	348
Less: Carrying Amount of Assets Sold	(3,300)	(1,708)
Gain (Loss) on Disposal	(2,895)	(1,360)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	–	818
Less: Carrying Amount of Assets Sold	–	(712)
Gain (Loss) on Disposal	–	106
Net Gain (Loss) on Disposal or Revaluation of Assets	(2,895)	(1,254)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Current Assets

\$ '000	2020	2019
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	151	376
Deposits at Call	6,318	7,395
<u>Total Cash & Cash Equivalent Assets</u>	<u>6,469</u>	<u>7,771</u>

(b) Trade & Other Receivables

Rates - General & Other	958	795
Council Rates Postponement Scheme	18	-
Accrued Revenues	24	61
Debtors - General	413	377
GST Recoupment	239	224
Prepayments	269	306
Loans to Community Organisations	99	96
Debtors - Land Sales	-	209
Subtotal	<u>2,020</u>	<u>2,068</u>
<u>Total Trade & Other Receivables</u>	<u>2,020</u>	<u>2,068</u>

(c) Inventories

Stores & Materials	343	369
Trading Stock	5	7
<u>Total Inventories</u>	<u>348</u>	<u>376</u>

Note 6. Non-Current Assets

\$ '000	2020	2019
Financial Assets		
Receivables		
Loans to Community Organisations	536	635
Subtotal	<u>536</u>	<u>635</u>
Total Receivables	<u>536</u>	<u>635</u>
<u>Total Financial Assets</u>	<u>536</u>	<u>635</u>

Notes to the Financial Statements
for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment (continued)

(a) Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/06/19				Asset movements during the reporting period											as at 30/06/20			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in P/L) (Note 3c)	Impairment Loss (recognised in Equity) (Note 9)	WIP Transfers	Adjustments & Transfers (recognised in P/L) (Note 3b)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Capital Work in Progress		-	613	-	613	-	64	10	-	-	-	-	(526)	(83)	-	-	-	78	-	78
Land	2	76,904	85	-	76,989	-	-	-	-	-	-	-	-	-	-	-	76,905	85	-	76,990
Buildings & Other Structures	2	482	-	(477)	5	-	-	-	-	(4)	-	-	-	-	-	-	482	-	(480)	2
Buildings & Other Structures	3	96,179	521	(53,471)	43,229	-	238	343	(2)	(2,664)	-	-	21	-	-	-	96,179	1,118	(56,131)	41,166
Stormwater Drainage	3	12,050	398	(3,917)	8,531	-	226	151	(2)	(204)	-	(6)	-	-	-	1,359	14,202	377	(4,524)	10,055
CWMS	3	24,612	1,619	(10,137)	16,094	-	113	243	(68)	(583)	-	(10)	10	-	-	1,657	27,707	366	(10,613)	17,460
Transport Infrastructure	3	255,487	6,939	(120,966)	141,460	-	1,039	8,907	(2,892)	(6,061)	-	-	490	-	(31,968)	-	225,107	10,436	(124,566)	110,977
Water Scheme Infrastructure	3	3,664	163	(1,012)	2,815	-	16	40	-	(81)	-	(35)	5	-	-	603	4,594	61	(1,291)	3,364
Right-of-Use Assets		-	-	-	-	4	-	15	-	(4)	-	-	-	-	-	-	-	19	(4)	15
Plant, Equipment & Other Assets		-	25,374	(10,379)	14,995	-	334	1,415	(335)	(1,624)	(17)	-	-	-	-	-	-	26,260	(11,491)	14,769
Total Infrastructure, Property, Plant & Equipment		469,378	35,712	(200,359)	304,731	4	2,030	11,124	(3,299)	(11,225)	(17)	(51)	-	(83)	(31,968)	3,619	445,176	38,800	(209,100)	274,876
Comparatives		426,775	52,034	(185,528)	293,281	-	713	9,549	(2,420)	(10,591)	-	(54)	-	-	(407)	14,660	469,378	35,712	(200,359)	304,731

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Information on Valuations

Fair Value Hierarchy Level 2 Valuations

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

Fair Value Hierarchy Level 3 Valuations of Buildings, Infrastructure and Other Assets

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

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

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

Highest and best use

The following non financial assets of Council are being utilised at other than their highest and best use:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment (continued)

Land

- Basis of valuation: Fair Value
- Date of valuation: 01 July 2018
- Date of next valuation: 01 July 2022
- Valuer: Jones Lang LaSalle

Buildings & Other Structures

- Basis of valuation: Fair Value
- Date of valuation: 01 July 2018
- Date of next valuation: 01 July 2022
- Valuer: Jones Lang LaSalle

Infrastructure

Transport Infrastructure

- Basis of valuation: Written down current replacement cost
- Date of valuation: 1 July 2019
- Date of next valuation: 01 July 2023
- Valuer: Tonkin Consulting

As a result of condition assessment, unit rate increases and changes in assumptions relating to the estimated useful lives of assets, applied as at 1 July 2019 the written down value of assets decreased by \$32 million with a corresponding increase to annual depreciation of \$422,000.

Stormwater Drainage

- Basis of valuation: Written down current replacement cost
- Date of valuation: 1 July 2019
- Date of next valuation: 01 July 2024
- Valuer: Tonkin Consulting

As a result of unit rate increases and changes in assumptions relating to the estimated useful lives of assets, applied as at 1 July 2019 the written down value of assets increased by \$1.36 million with a corresponding increase to annual depreciation of \$39,000.

Community Wastewater Management Schemes

- Basis of valuation: Written down current replacement cost
- Date of valuation: 1 July 2019
- Date of next valuation: 01 July 2024
- Valuer: Tonkin Consulting

As a result of unit rate increases and changes in assumptions relating to the estimated useful lives of assets, applied as at 1 July 2019 the written down value of assets increased by \$1.66 million with a corresponding increase to annual depreciation of \$84,000.

Water Supply Schemes

- Basis of valuation: Written down current replacement cost
- Date of valuation: 1 July 2019
- Date of next valuation: 01 July 2024
- Valuer: Tonkin Consulting

As a result of unit rate increases and changes in assumptions relating to the estimated useful lives of assets, applied as at 1 July 2019 the written down value of assets increased by \$600,000 with a corresponding increase to annual depreciation of \$12,000.

Plant, Equipment and Other Assets

These assets are recognised on the cost basis.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Liabilities

\$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a) Trade and Other Payables				
Goods & Services	1,069	–	1,255	–
Payments Received in Advance	–	–	–	–
- Amounts held on trust	39	–	15	–
- CWMS Land Management Agreements	52	114	–	–
- Grants, Subsidies, Contributions - Operating	544	–	43	–
- Prepaid Rates	200	–	–	–
- Other	1	–	7	–
Accrued Expenses - Employee Entitlements	378	–	306	–
Accrued Expenses - Other	190	–	262	–
Deposits, Retentions & Bonds	8	–	11	–
<u>TOTAL Trade and Other Payables</u>	<u>2,481</u>	<u>114</u>	<u>1,899</u>	<u>–</u>

(b) Borrowings

Loans	852	6,620	831	7,472
Lease Liabilities	4	12	–	–
<u>TOTAL Borrowings</u>	<u>856</u>	<u>6,632</u>	<u>831</u>	<u>7,472</u>

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

(c) Provisions

Future Reinstatement / Restoration, etc	8	125	15	125
Employee Entitlements - Annual Leave	804	–	773	–
Employee Entitlements - Long Service Leave	1,638	112	1,573	157
<u>TOTAL Provisions</u>	<u>2,450</u>	<u>237</u>	<u>2,361</u>	<u>282</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves

\$ '000	as at 30/06/19				as at 30/06/20
	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	77,059	–	–	–	77,059
Buildings & Other Structures Infrastructure	50,677	–	–	–	50,677
Stormwater Drainage	9,758	1,359	–	(6)	11,111
CWMS	15,420	1,657	–	(10)	17,067
Transport Infrastructure	160,113	(31,968)	–	–	128,145
Water Scheme Infrastructure	2,073	603	–	(35)	2,641
Total Asset Revaluation Reserve	315,100	(28,349)	–	(51)	286,700
Comparatives	300,901	14,253	–	(54)	315,100

\$ '000	as at 30/06/19				as at 30/06/20
	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Combined Water Supply Reserve	437	251	(214)	–	474
Combined Effluent Reserve	1,505	1,671	(1,181)	(47)	1,948
Hardwicke Bay Effluent Augmentation	198	–	–	(46)	152
Hardwicke Bay Water Augmentation	41	–	–	–	41
Point Souttar Effluent Augmentation	56	–	–	(56)	–
Total Other Reserves	2,237	1,922	(1,395)	(149)	2,615
Comparatives	1,589	2,000	(1,352)	–	2,237

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves (continued)

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Combined Water Supply Reserve

Balance of historic cash flows associated with operation of Council's water supply schemes in Balgowan, Black Point and Hardwicke Bay. This balance does not represent the under or over-recovery of costs for the scheme. This reserve is not cash backed.

Combined Effluent Reserve

Balance of historic cash flows associated with operation of Council's combined Community Wastewater Management Schemes (CWMS). This balance does not represent the under or over-recovery of costs for the combined schemes. This reserve is not cash backed.

Hardwicke Bay Effluent Augmentation

Contributions made by developers and under land management agreements quarantined for potential expansion/upgrade of CWMS infrastructure to specific properties in Hardwicke Bay. This reserve is not cash backed. **Note:** amounts relating to land management agreements have been recognised in liabilities from 1 July 2019 due to introduction of AASB 15 Revenue from Contracts with Customers.

Hardwicke Bay Water Augmentation

Contribution from land division (as condition of approval) quarantined for potential expansion/upgrade of water supply infrastructure to specific properties in Hardwicke Bay. This reserve is not cash backed.

Point Souttar Effluent Augmentation

Contributions made under land management agreements quarantined for potential expansion/upgrade of CWMS infrastructure to specific properties in Point Souttar. This reserve is not cash backed. **Note:** balance now recognised in liabilities from 1 July 2019 due to introduction of AASB 15 Revenue from Contracts with Customers.

Note 10. Assets Subject to Restrictions

\$ '000	2020	2019
---------	------	------

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets**Unexpended amounts received from Federal Government**

Open Space Contributions	134	134
CWMS Subsidy Funding	67	53
Total Cash & Financial Assets	201	187

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
---------	-------	------	------

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash & Equivalent Assets	5	6,469	7,771
Balances per Statement of Cash Flows		6,469	7,771

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

Net Surplus/(Deficit)		(2,708)	(2,093)
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		11,242	10,591
Non-Cash Asset Acquisitions		(26)	(49)
Grants for capital acquisitions treated as Investing Activity		(646)	(36)
Net (Gain) Loss on Disposals		2,895	1,254
Equity Movement (due to compliance with revised Accounting Standards) - not retrospective		(149)	-
		10,608	9,667
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		51	(66)
Net (Increase)/Decrease in Inventories		28	(4)
Net Increase/(Decrease) in Trade & Other Payables		699	276
Net Increase/(Decrease) in Unpaid Employee Benefits		-	(17)
Net Increase/(Decrease) in Other Provisions		44	221
Net Cash provided by (or used in) operations		11,430	10,077

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical Resources Received Free of Charge		26	49
Amounts recognised in Income Statement		26	49
Total Non-Cash Financing and Investing Activities		26	49

(d) Financing Arrangements

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

Bank Overdrafts		100	100
Corporate Credit Cards		41	41
LGFA Cash Advance Debenture Facility		3,000	3,000

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12a. Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 12b.

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions/Activities										
Business Undertakings	3,036	3,139	2,633	2,582	403	557	129	77	23,330	23,447
Community Services	492	418	3,205	3,414	(2,713)	(2,996)	273	120	31,685	32,969
Community Wastewater Management	1,671	1,744	1,374	1,366	297	378	100	220	18,446	17,088
Council Administration	19,882	19,816	6,861	6,882	13,021	12,934	2,289	3,468	17,878	19,809
Culture	28	15	211	206	(183)	(191)	60	14	2,003	2,091
Economic Development	–	–	–	–	–	–	506	–	–	–
Environment	1,069	1,075	2,329	2,262	(1,260)	(1,187)	–	31	11,817	10,249
Recreation	178	240	2,972	2,377	(2,794)	(2,137)	43	17	55,251	55,471
Regulatory Services	398	396	1,670	1,671	(1,272)	(1,275)	–	–	–	–
Tourism	67	22	196	224	(129)	(202)	–	–	89	107
Transport & Communication	3,523	2,081	8,995	9,059	(5,472)	(6,978)	1,233	–	119,205	149,953
Waste Management	2,137	2,548	2,498	2,514	(361)	34	29	10	1,140	1,536
Water Supply	344	356	366	217	(22)	139	–	–	3,405	2,861
Total Functions/Activities	32,825	31,850	33,310	32,774	(485)	(924)	4,662	3,957	284,249	315,581

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12b. Components of Functions

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

Caravan Parks, Electricity Supply, Gravel Pits / Quarries, Marinas / Boat Havens, Private Works, Property Portfolio, and Other.

COMMUNITY SERVICES

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Nursing Homes, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centres, Children and Youth Services, Community Assistance, Family and Neighbourhood Support, Other Community Support, Community Amenities, Bus Shelters, Cemeteries / Crematoria, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

CULTURE

Library Services, Mobile Libraries and Housebound Services, Static Libraries, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

COMMUNITY WASTEWATER MANAGEMENT

Community Wastewater Management Schemes.

ENVIRONMENT

Agricultural Services, Agricultural Water, Animal/Plant Boards, Landcare, Other Agricultural Services, Other Environment, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

RECREATION

Jetties, Other Marine Facilities, Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Indoor, Swimming Centres – Outdoor, and Other Recreation.

REGULATORY SERVICES

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

TRANSPORT

Aerodrome, Bus Service, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

WASTE MANAGEMENT

Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility and Other Waste Management.

WATER SUPPLY

Water Supply - domestic.

COUNCIL ADMINISTRATION

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 0.55% and 2.00% (2019: 1.25% and 2.15%). Short term deposits have an average maturity of 69 days and an average interest rate of 1.11% (2019: 60 days and 2%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between **3.49%** and **7.95%** (2019: **3.49%** and **7.95%**).

Carrying Amount:

Approximates fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2020					
Financial Assets					
Cash & Equivalents	6,469	–	–	6,469	6,469
Receivables	2,031	18	–	2,049	1,488
Other Financial Assets	–	459	155	614	536
Total Financial Assets	8,500	477	155	9,132	8,493
Financial Liabilities					
Payables	1,913	–	114	2,027	1,827
Current Borrowings	1,174	–	–	1,174	856
Non-Current Borrowings	–	4,284	3,586	7,870	6,632
Total Financial Liabilities	3,087	4,284	3,700	11,071	9,315
2019					
Cash & Equivalents	7,771	–	–	7,771	7,771
Receivables	2,102	–	–	2,102	2,112
Other Financial Assets	–	485	246	731	635
Total Financial Assets	9,873	485	246	10,604	10,518
Financial Liabilities					
Payables	1,331	–	–	1,331	1,331
Current Borrowings	1,193	–	–	1,193	831
Non-Current Borrowings	–	4,418	4,626	9,044	7,472
Total Financial Liabilities	2,524	4,418	4,626	11,568	9,634

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

\$ '000	2020		2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	4.72%	7,488	4.48%	8,303
		7,488		8,303

Net Fair Value

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Risk Exposures

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Capital and Other Expenditure Commitments

\$ '000	2020	2019
---------	------	------

(a) Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Transport Infrastructure	360	420
Buildings & Other Structures	49	–
Plant, Equipment & Other Assets	8	–
CWMS Infrastructure	–	40
	417	460

These expenditures are payable:

Not later than one year	417	460
	417	460

(b) Other Expenditure Commitments

Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	45	67
Employee Remuneration Contracts	1,178	1,498
Other Externally Contracted Services	14,536	13,791
	15,759	15,356

These expenditures are payable:

Not later than one year	3,472	3,151
Later than one year and not later than 5 years	11,708	9,427
Later than 5 years	579	2,778
	15,759	15,356

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators

\$ '000	Amounts	Indicator	Prior periods	
	2020	2020	2019	2018

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

1. Operating Surplus Ratio

Operating Surplus	(485)	(1.5)%	(2.9)%	(0.5)%
Total Operating Income	32,825			

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

Adjusted Operating Surplus Ratio

Operating Surplus	(130)	(0.4)%	(5.6)%	(0.8)%
Total Operating Income	33,180			

2. Net Financial Liabilities Ratio

Net Financial Liabilities	3,745	11%	7%	10%
Total Operating Income	32,825			

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

Adjusted Net Financial Liabilities Ratio

Net Financial Liabilities	3,745	11%	8%	10%
Total Operating Income	33,180			

Adjustments to Ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.

3. Asset Renewal Funding Ratio

Net Asset Renewals	10,607	94%	86%	74%
Depreciation, Amortisation and Impairment	11,242			

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

Depreciation, Amortisation and Impairment expense has been used as a proxy, pending finalisation of the Infrastructure and Asset Management Plans.

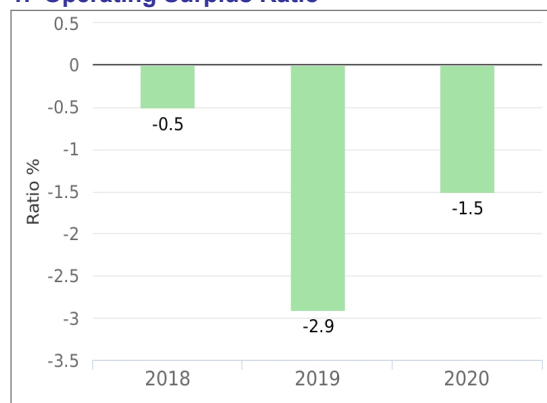
Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators (continued)

Financial Indicators - Graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

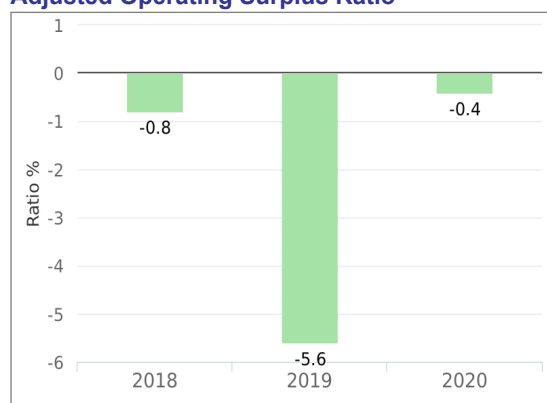
This indicator is to determine the percentage the operating revenue varies from operating expenditure

Commentary on 2019/20 result

2019/20 ratio (1.5)%

The Operating Surplus Ratio has been positively impacted by increased income offset somewhat by increases to depreciation and employee costs. The operating deficit for 2019/20 was \$439k less than 2018/19. It is worth noting that without increases to grant income Council's income would have only grown by 1% from 2018/19 to 2019/20.

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

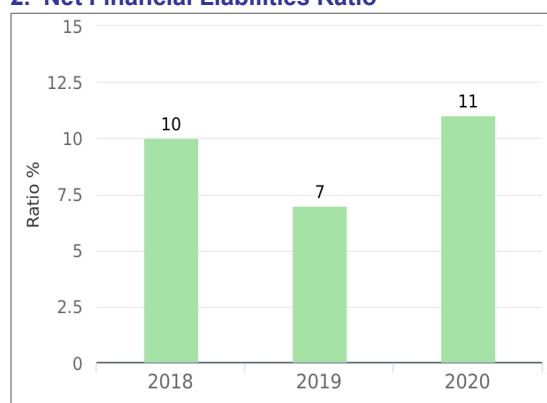
This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2019/20 result

2019/20 ratio (0.4)%

Adjusted Operating Surplus Ratio matches Financial Assistance Grant income to the relevant year resulting in an \$355k increase to operating income.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

This indicator shows the significance of the net amount owed to others, compared to operating revenue

Commentary on 2019/20 result

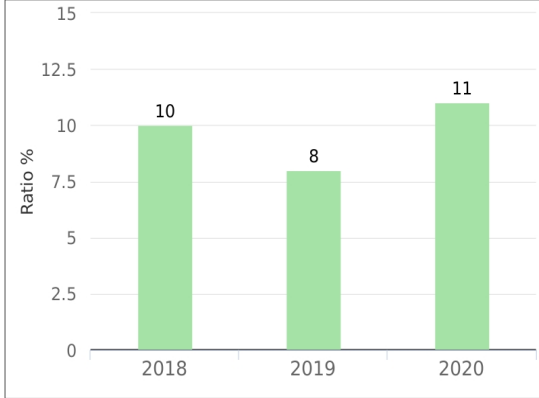
2019/20 ratio 11%

Net Financial Liabilities Ratio has been negatively impacted by the \$1.5M reduction in current assets and non-current financial assets between 2018/19 and 2019/20 year end.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 15. Financial Indicators (continued)

Adjusted Net Financial Liabilities Ratio



Purpose of adjusted net financial liabilities ratio

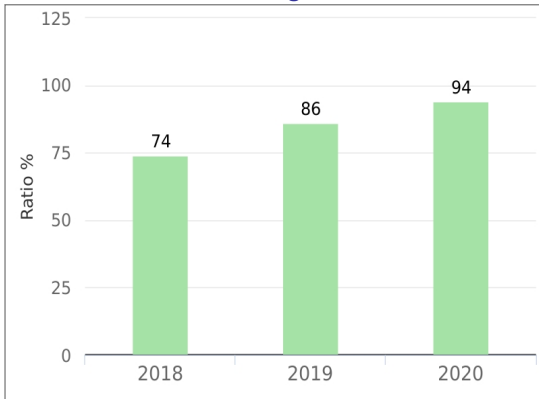
This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2019/20 result

2019/20 ratio 11%

Adjusted Net Financial Liabilities Ratio matches Financial Assistance Grant income to the relevant year resulting in an \$355k increase to operating income.

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

This indicator aims to determine if assets are being renewed and replaced in an optimal way

Commentary on 2019/20 result

2019/20 ratio 94%

Asset Sustainability Ratio positively impacted by \$1.46M increase to Net Asset Renewal which has been offset somewhat by a \$650k increase to Depreciation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Uniform Presentation of Finances

\$ '000	2020	2019
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	32,825	31,850
less Expenses	(33,310)	(32,774)
Operating Surplus / (Deficit)	(485)	(924)
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(11,012)	(9,500)
add back Depreciation, Amortisation and Impairment	11,242	10,591
add back Proceeds from Sale of Replaced Assets	405	348
	635	1,439
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(2,030)	(713)
add back Amounts Received Specifically for New and Upgraded Assets	646	36
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	–	818
	(1,384)	141
Net Lending / (Borrowing) for Financial Year	(1,234)	656

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases

(i) Council as a lessee

Council has elected to apply the modified retrospective approach to accounting for leases under AASB 16. Under this approach comparative year information is not restated, and the right-of-use asset is initially stated at an amount equal to the lease liability.

Further to this election, Council has also elected to access the temporary relief available under *AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* to enable it to initially recognise right-of-use assets at cost as opposed to fair value.

Council leases 11 jetties from the State Government principally to enable it to further its objectives. Council is dependent on these leases to further its objective of delivering infrastructure services to the community. Council is restricted to use these jetties as public jetties and for any other purpose determined by Council to be in the best interest of the community. Lease terms range from 45 to 50 years and the lease payments per jetty are \$1 per annum (if requested).

Council also has right of use in relation to three separate parcels of land for annual lease payments ranging between \$800 to \$2,400. Lease terms in relation to these each of these parcels of land are 5 years. Leased land is utilised for the provision of communication services and the deposit and treatment of effluent under the terms of the individual leases.

Set out below are the carrying amounts of right-of-use assets recognised within Infrastructure, Property, Plant and Equipment and the movements during the period:

Right of use assets

\$ '000	Ready to use	Right of Use Assets	Total
2020			
Adoption of AASB 16 at 1 July 2019	–	4	4
Additions to right-of-use assets	–	15	15
Depreciation charge	–	(4)	(4)
Balance at 30 June 2020	–	15	15

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases (continued)

\$ '000	2020	2019
Balance at 1 July	4	–
Additions	15	–
Payments	(4)	–
Balance at 30 June	15	–
Classified as:		
Current	3	–
Non Current	12	–

The maturity analysis of lease liabilities is included in Note 13.

The Group had total cash outflows for leases of \$76k.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	4	–
Expense relating to short term leases	34	–
Expense relating to leases of low-value assets	38	–
Total amount recognised in profit or loss	76	–

(ii) Council as a lessor

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

\$ '000	2020	2019
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	70	57
Later than one year and not later than 5 years	174	140
Later than 5 years	79	88
	323	285

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Superannuation

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019/20; 9.50% in 2018/19). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2018/19) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled approximately 3,890km of road reserve with an average carriageway width of 4-8 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. COMMUNITY SEAWALL LOANS FUNDED BY SEPARATE RATE REQUEST

During the 2016/17 financial year Council resolved to contribute towards the construction of seawalls for two separate groups of ratepayers. It was resolved that these contributions were to be funded by new loans to be taken out by Council with both principle and interest to be repaid to Council by the affected ratepayers via a separate rate levied against their properties over the next 10 years (being the term of the loan). Council is confident that all amounts owed under the agreement will be recovered.

The value of loans (inclusive of principle and interest) to be repaid via separate rate over 10 year period are listed below:

- Chinaman Wells Seawall \$180,831 (2019: \$206,664)
- Point Turton Seawall \$169,458 (2019: \$192,052)

Note 20. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2020, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Council is aware of the following "non-adjusting events" that merit disclosure:

- Council took over management of Port Rickaby Caravan Park on 21st August 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 16 persons were paid the following total compensation:

\$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	953	898
Post-Employment Benefits	108	107
Total	1,061	1,005

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

One close family member of key management personnel is employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the Local Government Act 1999.

Key management personnel or close family members (including related parties) lodged a total of five planning and building application during the year. These persons took no part in the assessment or approval process for these applications.

Five planning and building approvals, with and without conditions, were granted during the year. Total fees for these applications (all of which were payable subsequent to lodgement) amounted to \$1,052.71.

A member of Council's key management personnel is the director of a business from which services were purchased as required on account in accordance with Council's Purchasing and Procurement Policy. Total purchases amounted to \$3,850 (GST Inclusive) for the financial year. No amounts remained unpaid at the end of year.

A close relative of a member of Council's key management personnel is the director of a business from which services were purchased as required on account in accordance with Council's Purchasing and Procurement Policy. Total purchases amounted to \$9,280 (GST Inclusive) for the financial year. No amounts remained unpaid at the end of year.

A close relative of a member of Council's key management personnel is the director of a business from which services were purchased as required on account in accordance with Council's Purchasing and Procurement Policy. Total purchases amounted to \$93,338.46 (GST Inclusive) for the financial year. No amounts remained unpaid at the end of year.

No key management personnel or parties related to them had any transactions during the year on terms more favourable than those available to the general public.

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report - Financial Statements

You have not selected a PDF for printing.

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report - Internal Controls

You have not selected a PDF for printing.

General Purpose Financial Statements

for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Yorke Peninsula Council for the year ended 30 June 2020, the Council's Auditor, **Audit Firm Name** has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Andrew Cameron
Chief Executive Officer

Rob Reiman
Presiding Member, Audit Committee

Date: dd MMMM yyyy

General Purpose Financial Statements

for the year ended 30 June 2020

Statement by Auditor

I confirm that, for the audit of the financial statements of Yorke Peninsula Council for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Auditor's Name

Audit Firm Name

Date: dd MMMM yyyy