

General purpose financial statements

for the year ended 30 June 2020

A confident, growing and cohesive Community;

Benefiting from a thriving economy based on strong tourism and primary production sectors;

Preserving our unique heritage;

Sustainably managing our natural environment

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Certification of Financial Statements

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

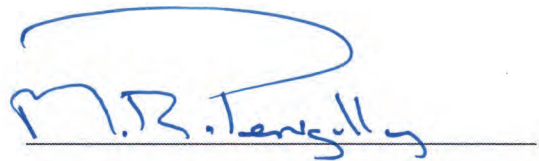
In our opinion:

- 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.



Greg Georgopoulos
Chief Executive Officer

24 November 2020



Michael Pengilly
Mayor

24 November 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates	2a	10,409	10,231
Statutory Charges	2b	234	297
User Charges	2c	981	1,241
Grants, Subsidies and Contributions	2g	4,763	5,309
Investment Income	2d	21	8
Reimbursements	2e	811	680
Other income	2f	54	98
Net Gain - Equity Accounted Council Businesses	19(a)	14	—
Total Income		17,287	17,864
Expenses			
Employee costs	3a	4,650	4,637
Materials, Contracts and Other Expenses	3b	7,606	7,501
Depreciation, Amortisation and Impairment	3c	4,892	4,925
Finance Costs	3d	467	612
Net loss - Equity Accounted Council Businesses	19(a)	—	4
Total Expenses		17,615	17,679
Operating Surplus / (Deficit)		(328)	185
Physical Resources Received Free of Charge		295	—
Asset Disposal & Fair Value Adjustments	4	(115)	4
Amounts Received Specifically for New or Upgraded Assets	2g	4,364	4,071
Net Surplus / (Deficit)		4,216	4,260
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	258,509	(3,113)
Total Amounts which will not be reclassified subsequently to operating result		258,509	(3,113)
Total Other Comprehensive Income		258,509	(3,113)
Total Comprehensive Income		262,725	1,147

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	2,985	1,943
Trade & Other Receivables	5b	1,691	2,413
Inventories	5c	268	407
Total current assets		4,944	4,763
Non-current assets			
Financial Assets	6a	50	—
Equity Accounted Investments in Council Businesses	6b	131	117
Other Non-Current Assets	6c	1,372	5,085
Infrastructure, Property, Plant & Equipment	7a	476,414	214,454
Total non-current assets		477,967	219,656
TOTAL ASSETS		482,911	224,419
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	5,279	4,296
Borrowings	8b	1,351	1,366
Provisions	8c	1,036	1,142
Total Current Liabilities		7,666	6,804
Non-Current Liabilities			
Trade & Other Payables	8a	11,982	14,599
Borrowings	8b	10,745	13,303
Provisions	8c	355	275
Total Non-Current Liabilities		23,082	28,177
TOTAL LIABILITIES		30,748	34,981
Net Assets		452,163	189,438
EQUITY			
Accumulated surplus		19,435	19,740
Asset revaluation reserves	9a	427,096	168,587
Other reserves	9b	5,632	1,111
Total Equity		452,163	189,438

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

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		19,740	168,587	1,111	189,438
Net Surplus / (Deficit) for Year		4,216	–	–	4,216
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	258,509	–	258,509
Other comprehensive income		–	258,509	–	258,509
Total comprehensive income		4,216	258,509	–	262,725
Transfers between Reserves	9b	(4,521)	–	4,521	–
Balance at the end of period		19,435	427,096	5,632	452,163
2019					
Balance at the end of previous reporting period		14,240	171,700	2,351	188,291
Net Surplus / (Deficit) for Year		4,260	–	–	4,260
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	–	(3,113)	–	(3,113)
Other comprehensive income		–	(3,113)	–	(3,113)
Total comprehensive income		4,260	(3,113)	–	1,147
Transfers between Reserves	9b	1,240	–	(1,240)	–
Balance at the end of period		19,740	168,587	1,111	189,438

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

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		10,306	10,225
Statutory Charges		234	289
User Charges		981	1,333
Grants, Subsidies and Contributions (operating purpose)		4,763	4,500
Investment Receipts		21	11
Reimbursements		811	687
Other Receipts		886	1,507
<u>Payments</u>			
Finance Payments		(513)	(597)
Payments to Employees		(4,665)	(4,627)
Payments for Materials, Contracts & Other Expenses		(7,441)	(9,299)
Net cash provided by (or used in) Operating Activities	11b	<u>5,383</u>	<u>4,029</u>
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		2,752	4,071
Sale of Replaced Assets		280	78
Distributions Received from Equity Accounted Council Businesses		—	4
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(3,974)	(6,773)
Expenditure on New/Upgraded Assets		(465)	(1,526)
Loans Made to Community Groups		(56)	—
Capital Contributed to Equity Accounted Council Businesses		—	(4)
Net cash provided (or used in) investing activities		<u>(1,463)</u>	<u>(4,150)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		11,806	2,780
Proceeds from Bonds & Deposits		—	20,456
<u>Payments</u>			
Repayments of Borrowings		(14,670)	(5,246)
Repayment of Bonds & Deposits		(14)	(20,445)
Net Cash provided by (or used in) Financing Activities		<u>(2,878)</u>	<u>(2,455)</u>
Net Increase (Decrease) in Cash Held		<u>1,042</u>	<u>(2,576)</u>
plus: Cash & Cash Equivalents at beginning of period		1,943	4,519
Cash and cash equivalents held at end of period	11a	<u>2,985</u>	<u>1,943</u>

A detailed statement of cash flows is available in the supplementary information.

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

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Notes to and forming part of 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* dated 10 November 2020.

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

Kangaroo Island Council is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 43 Dauncey Street, Kingscote, SA. 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.

Other entities in which Council has an interest but does not control are reported in Note 19.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

As at 30 June 2020, Kangaroo Island Council has net assets of \$453,568 (2019 net assets of \$189,438).

Kangaroo Island Council has considered its current financial position along with other information such as the cash flows for the forthcoming 12 month period and the operating budget for the forthcoming 12 months; the ability of the Council to borrow funds from the LGFA to meet any outflows that may arise and the taxing powers of the Council to recoup, through rates and levies, expenditure incurred.

Through the evaluation of these factors, the Council believes that there is no significant going concern matter and the Council will be able to meet its debts when they fall due.

(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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

In recent years the payment of untied grants (financial assistance grants / local roads / supplementary grants) has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2017/18	\$2,114	\$1,997	+ \$117
2018/19	\$2,254	\$2,239	+ \$15
2019/20	\$2,122	\$2,074	+ \$48

In addition, the 2019/20 and 2020/21 Supplementary Local Road Grants of \$400,382 was paid in advance in June 2019.

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.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(5) Inventories

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

5.1 Other Real Estate Held for Resale

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

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

Note 1. Summary of Significant Accounting Policies (continued)

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

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

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

Land Improvement	\$10,000
Airport	\$10,000
Buildings and Other Structures	\$10,000
Road – pavement for sealed and unsealed built to specification	\$10,000
Road – wearing surface sealed and unsealed	\$10,000
Bridge	\$10,000
Footpaths, Kerb & Gutter	\$10,000
Stormwater Drainage	\$10,000
Community Wastewater Management Systems	\$5,000
Furniture & Fittings	\$5,000
Plant & Equipment	\$5,000
Library Books	N/A

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.

Land Improvement	7 to 100 years
Airport	1 to 100 years
Building & Other Structures	7 to 100 years
Roads - Earthworks	250 Years
Roads – Pavement - Sub Sheet	250 Years
Roads – Sheeted Surface	15 to 30 Years

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Roads - Sealed Surface - Pavement	18 to 40 Years
Roads - Sealed Surface - Seal	80 to 100 Years
Guardrails	50 Years
Footpaths - Concrete	50 Years
Footpaths - Paved	50 Years
Footpaths - Spray Seal	25 Years
Footpaths - Mixed Surface	50 Years
Bridges	5 to 100 Years
Carparks - Formation Earthworks	400 Years
Carparks - Sheeted Surface	20 Years
Carparks - Sealed Surface - Pavement	30 Years
Carparks - Sealed Surface - Seal	100 Years
Walking Trails - Base Course	100 Years
Walking Trails - Spray Seal	30 Years
Stormwater Drainage	50 to 70 years
Community Wastewater Management Schemes	10 to 70 years
Furniture & Fittings	5 to 20 years
Plant & Equipment	4 to 20 years
Library Books	1 to 7 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.

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.

(9) Employee Benefits

Note 1. Summary of Significant Accounting Policies (continued)

9.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 0.24% (2019, 1.02%)

Weighted avg. settlement period 7 years (2019, 7 years)

Council recognise a provision for sick leave liabilities for the employees falling under the AWU enterprise bargaining agreement.

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

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

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

(11) Leases

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, as follows:

Motor Vehicles	3 to 5 years
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The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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) Equity Accounted Council Businesses

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

(13) Impact of COVID-19

The COVID-19 pandemic has impacted the 2019/20 financial statements, which may impact on the comparability of some line items and amounts reported in this financial report.

The financial impacts are a direct result of either Council's response to the pandemic or due to the mandatory shut downs as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

The impacts on the Council's financial performance and financial position are outlined below:

- Decrease in rates revenue of approx. \$14,700 due to waiving of fines and interest.
- Costs of \$9,025 related to business support in the form of temporary suspension of fines, penalties, interest, rent (including sports fields, licence fees and debt recovery actions).

Council estimates that the reduction in revenue and increase in expenditure resulted in a decrease of approximately \$23,725 in the 2019/20 net surplus. It is expected that further financial impacts, though not significant, will flow into the 2020/21 financial year.

Council has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Council's ability to continue as a going concern.

(14) GST Implications

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

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

(15) New accounting standards and UIG interpretations

Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

Kangaroo Island Council early adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* from the year ended 30 June 2018. 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.

Note 1. Summary of Significant Accounting Policies (continued)

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 determined the impact of the new standards 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.

AASB 16 Leases

The Council applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability.

Adoption of AASB 16 Leases (AASB 16)

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. 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 applied AASB 16 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2019 (comparatives were not 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:

Assets	\$'000
Infrastructure, Property, Plant and Equip.	
- Right-of-Use-Assets	99
Total Assets	99
Liabilities	
Interest-bearing loans and borrowings	99
Total Liabilities	99

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

Effective for NFP annual reporting periods beginning on or after 1 January 2020

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-6 Amendments to Australia Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Effective for NFP annual reporting periods beginning on or after 1 January 2021

- AASB 17 Insurance Contracts

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10 and AASB 2017-5)

(16) Comparative Figures

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

(17) Disclaimer

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

Note 2. Income

\$ '000	2020	2019
(a) Rates		
General Rates		
General Rates	6,985	6,853
Less: Discretionary Rebates, Remissions & Write Offs	(95)	(97)
Total General Rates	6,890	6,756
Other Rates (Including Service Charges)		
Natural Resource Management Levy	402	407
Waste Collection	1,616	1,568
Community Wastewater Management Systems	1,450	1,418
Total Other Rates (Including Service Charges)	3,468	3,393
Other Charges		
Penalties for Late Payment	38	67
Legal & Other Costs Recovered	13	15
Total Other Charges	51	82
Total Rates	10,409	10,231
(b) Statutory Charges		
Development Act Fees	71	94
Town Planning Fees	21	11
Health & Septic Tank Inspection Fees	38	47
Animal Registration Fees & Fines	64	56
Parking Fines / Expiation Fees	1	2
Other Licences, Fees & Fines	21	66
Rate Searches	18	21
Total Statutory Charges	234	297
(c) User Charges		
Cemetery/Crematoria Fees	37	38
Hall & Equipment Hire	120	160
Sundry	66	43
Biosolids Fees	8	7
Aerodrome Fees	395	465
Lease Fees	289	353
Camping Fees	66	86
Standpipe income	—	89
Total User Charges	981	1,241

Notes to and forming part of 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	21	8
Total Investment Income	21	8
(e) Reimbursements		
Private Works	258	382
Asset Management	—	180
Insurances	24	50
CWMS Connections	—	4
Other	110	64
Bushfire	419	—
Total Reimbursements	811	680
(f) Other income		
Rebates Received	—	30
Sundry	9	9
Insurance Rebates	43	56
Standpipe Fees	2	1
Late Fees/Private Hire	—	2
Total Other income	54	98
(g) Grants, Subsidies, Contributions		
Amounts Received Specifically for New or Upgraded Assets	4,364	4,071
Total Amounts Received Specifically for New or Upgraded Assets	4,364	4,071
Other Grants, Subsidies and Contributions	646	1,633
Untied - Financial Assistance Grant	998	2,254
Roads to Recovery	593	346
Individually Significant Item - Additional Grants Commission Payment (refer below)	1,124	1,076
Bushfire	1,402	—
Total Other Grants, Subsidies and Contributions	4,763	5,309
Total Grants, Subsidies, Contributions	9,127	9,380
The functions to which these grants relate are shown in Note 12.		
(i) Sources of grants		
Commonwealth Government	3,400	2,850
State Government	5,524	6,263
Other	203	267
Total	9,127	9,380

Note 2. Income (continued)

\$ '000	2020	2019
(ii) Individually Significant Items		
Grant Commission (FAG) Grant Recognised as Income	1,124	1,076
On the 27 May 2020 Council received an advance payment of \$1,124,184 being 50% of the estimated FAG income for the 2020/21 financial year. In 2018/19 Council received an advance payment of \$1,075,842 being 50% of estimated FAG income for the 2019/20 year.		
Bushfire	1,402	—
(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	55	110
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
African Boxthorn Grant	(55)	—
Subtotal	(55)	(110)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions:</i>		
African Boxthorn Grant	—	55
Subtotal	—	55
Unexpended at the close of this reporting period	—	55
Net increase (decrease) in assets subject to conditions in the current reporting period	(55)	(55)

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 3. Expenses

\$ '000	Notes	2020	2019
(a) Employee costs			
Salaries and Wages		3,085	3,049
Employee Leave Expense		754	801
Superannuation - Defined Contribution Plan Contributions	18	399	325
Superannuation - Defined Benefit Plan Contributions	18	—	75
Workers' Compensation Insurance		142	148
Other		270	239
Total Operating Employee Costs		4,650	4,637
Total Number of Employees (full time equivalent at end of reporting period)		54	55
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports and Grant Acquittals		39	58
Elected Members' Expenses		206	292
Election Expenses		1	56
Subtotal - Prescribed Expenses		246	406
(ii) Other Materials, Contracts and Expenses			
Contractors		1,645	2,242
Contractors - Fleurieu Regional Waste Authority (FRWA)		1,473	1,374
Community Grants Provided		124	177
Energy		435	509
Insurances		302	292
Legal Expenses		155	141
Levies Paid to Government - Landscape Levy		402	395
Levies - Other		2	1
Parts, Accessories & Consumables		652	802
Professional Services		269	247
Sundry		421	612
Telecoms & Software		199	213
Lease & Rental		15	90
Bushfire		1,266	—
Subtotal - Other Material, Contracts & Expenses		7,360	7,095
Total Materials, Contracts and Other Expenses		7,606	7,501

Note 3. Expenses (continued)

\$ '000	2020	2019
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Land Improvements	199	199
Buildings & Other Structures	309	286
Infrastructure		
- Stormwater Drainage	524	98
- CWMS	509	614
- Roads/Bridges/Footpaths	2,034	2,522
- Airport Upgrade	939	934
Right-of-use Assets	95	—
Library Books	—	1
Plant, Machinery & Equipment	262	243
Office Equipment, Furniture & Fittings	21	28
Subtotal	4,892	4,925
Total Depreciation, Amortisation and Impairment	4,892	4,925
(d) Finance Costs		
Interest on Loans	467	612
Total Finance Costs	467	612

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2020	2019
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	280	78
Less: Carrying Amount of Assets Sold	(395)	(74)
Gain (Loss) on Disposal	(115)	4
Net Gain (Loss) on Disposal or Revaluation of Assets	(115)	4

Notes to and forming part of 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	377	92
Deposits at Call	2,608	1,851
Total Cash & Cash Equivalent Assets	2,985	1,943
(b) Trade & Other Receivables		
Rates - General & Other	776	673
Accrued Revenues	287	267
Debtors - General	581	1,429
GST Recoupment	22	26
Prepayments	19	18
Loans to Community Organisations	6	—
Subtotal	1,691	2,413
Total Trade & Other Receivables	1,691	2,413
(c) Inventories		
Stores & Materials	268	407
Total Inventories	268	407

Note 6. Non-Current Assets

\$ '000	2020	2019
(a) Financial Assets		
Receivables		
Loans to Community Organisations	50	—
Subtotal	<u>50</u>	<u>—</u>
Total Receivables	<u>50</u>	<u>—</u>
<u>Total Financial Assets</u>	<u>50</u>	<u>—</u>

\$ '000	Notes	2020	2019
(b) Equity Accounted Investments in Council Businesses			
Fleurieu Regional Waste Authority	19	131	117
<u>Total Equity Accounted Investments in Council Businesses</u>		<u>131</u>	<u>117</u>

(c) Other Non-Current Assets

Other		
Capital Works-in-Progress	1,372	5,085
Total Other	<u>1,372</u>	<u>5,085</u>
<u>Total Other Non-Current Assets</u>	<u>1,372</u>	<u>5,085</u>

Note 7. Infrastructure, Property, Plant & Equipment

(a) Infrastructure, Property, Plant & Equipment

	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)	Adjustments & Transfers	Adjustments & Accumulated Depreciation	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																		
Land	2	26,103	400	-	26,503	-	-	-	(250)	-	-	-	-	680	26,533	400	-	26,933
Land Improvements	2	403	-	(301)	102	-	-	-	-	(5)	-	-	-	-	403	-	(306)	97
Land Improvements	3	7,148	202	(3,869)	3,481	-	23	-	-	(194)	-	-	-	-	7,149	225	(4,063)	3,311
Buildings & Other Structures	2	12,242	142	(10,534)	1,850	-	-	-	-	(141)	-	-	-	-	12,242	142	(10,674)	1,710
Buildings & Other Structures	3	7,357	1,422	(2,630)	6,149	-	1,998	-	-	(168)	-	-	-	-	7,357	3,420	(2,798)	7,979
Infrastructure																		
- Stormwater Drainage	3	7,620	-	(3,105)	4,515	-	296	297	-	(524)	35,582	(17,288)	-	-	7,620	36,288	(21,030)	22,878
- CWMS	3	29,466	-	(7,679)	21,787	-	37	1,199	-	(509)	-	-	-	(780)	28,665	1,236	(8,167)	21,734
- Roads & Footpaths	3	166,214	18,742	(63,262)	121,694	-	279	4,093	-	(2,034)	(35,582)	17,288	-	258,609	383,055	-	(18,709)	364,346
- Airport Upgrade	3	11,672	21,685	(8,573)	24,784	-	-	-	-	(939)	-	-	-	-	11,672	21,685	(9,512)	23,845
Right-of-Use Assets						99	285	-	-	(95)	-	-	-	-	-	384	(95)	289
Library Books	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant, Machinery & Equipment	3	600	14	(614)	-	-	-	-	-	-	-	-	-	-	600	14	(614)	-
Office Equipment, Furniture & Fittings	3	6,928	958	(4,388)	3,498	-	29	102	(145)	(262)	-	-	-	-	6,483	1,089	(4,350)	3,222
	3	531	167	(607)	91	-	-	-	-	(21)	-	-	-	-	532	167	(629)	70
Total Infrastructure, Property, Plant & Equipment		276,284	43,732	(105,562)	214,454	99	2,947	5,691	(395)	(4,892)	-	-	-	258,509	492,311	65,050	(80,947)	476,414
Comparatives		274,702	46,126	(102,441)	218,387	-	1,526	2,652	(74)	(4,925)	-	-	(3,113)	-	276,284	43,732	(105,562)	214,454

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

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

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

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

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

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

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

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

Highest and best use

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

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

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

Council being of the opinion that it is not possible to attribute a value sufficiently reliable to qualify for recognition; land under roads has not been recognised in these reports.

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

Land improvements are recognised at fair value, originally deriving from a valuation conducted by Liquid Pacific at 30 June 2016 at current replacement cost. Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. The weighted average depreciation period for 2020 is 46 years (2019 – 40 years).

In line with the Asset Accounting Policy adopted in 2011/12 and reviewed annually, Council has decided to apply the capitalisation thresholds for Land Improvement assets, to be consistent with the other major asset classes. Council does not recognise on its balance sheet or provide depreciation for Land Improvements, or Buildings and Structures which Council considers will not rationally be replaced. Where there is no regular cash flow generated from the asset, the net present value of future cash flows for that asset is the disposal value. Where assets are not rationally replaced, and Council has decided that there is no expected future economic benefit continuing to flow to Council, the disposal value will be reduced to nil.

Buildings & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values and were valued for 30 June 2016 by Liquid Pacific.

For Buildings & Structure assets which Council considers will not rationally be replaced, the same accounting treatment applies as stated in the Land & Land Improvements section above.

Infrastructure

Transportation assets were valued by Public Private Property as at 30 June 2020

Stormwater drainage infrastructure was valued by JLL Public Sector Valuations Pty Ltd as at 30 June 2019 at depreciated current replacement cost, based on actual costs incurred during the reporting period and an assessment of useful life and asset condition data.

Community wastewater management system infrastructure was valued at depreciated current replacement cost during the reporting period ended 30 June 2019 by JLL Public Sector Valuations Pty Ltd on the same basis as that determined for Stormwater assets.

Plant & Equipment

Plant & Equipment assets were revalued as at 30 June 2017 by Maloney Field Services, Property Consultant and Valuers. This asset class is not required to be revalued on a regular basis in line with the current Asset Accounting Policy.

Furniture & Fittings

Furniture and Fitting assets were revalued as at 30 June 2010 by Maloney Field Services, Property Consultant and Valuers. This asset class is not required to be revalued on a regular basis in line with the current Asset Accounting Policy.

Library Books

Library books and other lending materials were revalued as at 30 June 2010 by Maloney Field Services, Property Consultant and Valuers. This asset class is not required to be revalued on a regular basis in line with the current Asset Accounting Policy.

Note 8. Liabilities

\$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a) Trade and Other Payables				
Goods & Services	1,263	—	1,170	—
Payments Received in Advance ¹	3,778	11,982	2,731	14,599
Accrued Expenses - Employee Entitlements	141	—	126	—
Accrued Expenses - Finance Costs	60	—	106	—
Accrued Expenses - Other	—	—	112	—
Deposits, Retentions & Bonds	36	—	50	—
Other	1	—	1	—
<u>TOTAL Trade and Other Payables</u>	<u>5,279</u>	<u>11,982</u>	<u>4,296</u>	<u>14,599</u>

(1) As per the Funding Agreement with State and Federal Governments, amounts received for the construction of the airport are treated as payments received in advance as Council is required to satisfy certain conditions as per the funding agreements

(b) Borrowings

Loans	1,351	10,745	1,366	13,303
<u>TOTAL Borrowings</u>	<u>1,351</u>	<u>10,745</u>	<u>1,366</u>	<u>13,303</u>

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

(c) Provisions

Employee Entitlements (including oncosts)	1,019	73	1,038	84
Provision for Legal and Constructive Obligations arising from past events	—	—	97	—
Future Reinstatement / Restoration, etc	17	282	7	191
<u>TOTAL Provisions</u>	<u>1,036</u>	<u>355</u>	<u>1,142</u>	<u>275</u>

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 9. Reserves

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	21,244	680	—	—	21,924
Land Improvements	6,209	—	—	—	6,209
Buildings & Other Structures	771	—	—	—	771
Infrastructure					
- Stormwater Drainage	3,689	—	—	—	3,689
- CWMS	7,278	(780)	—	—	6,498
- Roads/Bridges/Footpaths	126,827	258,609	—	—	385,436
Furniture & Fittings	362	—	—	—	362
Library Books	204	—	—	—	204
Plant, Machinery & Equipment	2,003	—	—	—	2,003
<u>Total Asset Revaluation Reserve</u>	<u>168,587</u>	<u>258,509</u>	<u>—</u>	<u>—</u>	<u>427,096</u>
Comparatives	171,700	(3,113)	—	—	168,587

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Airport Reserve	163	4,309	—	—	4,472
CWMS Reserve	541	212	—	—	753
Asset Reinvestment Reserve	289	—	—	—	289
Kingscote CBD Car Park Reserve	30	—	—	—	30
Open Space Reserve	15	—	—	—	15
Ronald Maxwell Bell Property Reserve	61	—	—	—	61
Daniel Williams Reserve	12	—	—	—	12
<u>Total Other Reserves</u>	<u>1,111</u>	<u>4,521</u>	<u>—</u>	<u>—</u>	<u>5,632</u>
Comparatives	2,351	—	(1,240)	—	1,111

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).

Airport Reserve

The Airport is a self servicing entity within the Council and any surplus or deficit for the year is accumulated in this reserve.

CWMS Reserve

CWMS is a self servicing entity within the Council and any surplus or deficit for the year is accumulated in this reserve.

Asset Reinvestment Reserve

The reserve holds contributions from the sale of Council assets for future land purchases.

Kingscote CBD Carpark Reserve

Developer Car Park contributions held for future CBD carparking in Kingscote.

Open Space Fund Reserve

Contributions from developers for future open space developments and expenditure.

Ronald Maxwell Bell Property Reserve

Sale proceeds of ratepayer's property, which are required to be held by Council until owner is located or until processed as per the Unclaimed Moneys Act 1891.

Daniel Williams Reserve

Sale proceeds of ratepayer's property, which are required to be held by Council until owner is located or until processed as per the Unclaimed Moneys Act 1891.

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		
Developer Contributions	31	31
Sale of Ratepayer's Property	74	74
Community Services	—	55
Infrastructure	1,000	—
Total Cash & Financial Assets	1,105	160
Infrastructure, Property, Plant & Equipment		
Land Assets ¹	26,503	26,503
Total Infrastructure, Property, Plant & Equipment	26,503	26,503
Total Assets Subject to Externally Imposed Restrictions	27,608	26,663

(1) Land assets utilised for recreation or other community purposes are subject to the provisions of Chapter 11, Part 1 of the Local Government Act, 1999 relating to 'Local Government Land'. Such assets are identified on Council's Community Land Register in accordance with the provisions in the Act.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
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(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	2,985	1,943
Balances per Statement of Cash Flows		2,985	1,943

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

Net Surplus/(Deficit)		4,216	4,260
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		4,892	4,925
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(14)	4
Non-Cash Asset Acquisitions		(295)	—
Grants for capital acquisitions treated as Investing Activity		(4,364)	(4,071)
Net (Gain) Loss on Disposals		115	(4)
		4,550	5,114
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		728	(1,345)
Net (Increase)/Decrease in Inventories		139	(41)
Net Increase/(Decrease) in Trade & Other Payables		(8)	155
Net Increase/(Decrease) in Unpaid Employee Benefits		(30)	53
Net Increase/(Decrease) in Other Provisions		4	93
Net Cash provided by (or used in) operations		5,383	4,029

(c) Financing Arrangements

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

Bank Overdrafts	100	100
Corporate Credit Cards	14	14
LGFA Cash Advance Debenture Facility	17,854	8,163

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

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).										
\$ '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	727	1,560	1,840	2,046	(1,113)	(486)	—	—	21,345	24,393
Community Services	57	346	899	1,282	(842)	(936)	—	239	122	1,141
Culture	37	56	292	324	(255)	(268)	33	31	—	880
Economic Development	410	—	20	64	390	(64)	—	—	—	324
Environment	3,071	3,564	2,741	3,652	330	(88)	—	55	133	29,835
Recreation	65	2	956	591	(891)	(589)	—	—	1,880	30,595
Regulatory Services	2,409	247	2,955	880	(546)	(633)	1,402	—	—	12
Transport & Communication	1,000	424	6,012	4,458	(5,012)	(4,034)	560	346	4,520	127,224
Plant Hire & Depot/Indirect	11	—	891	403	(880)	(403)	—	—	3,511	4,132
Governance	9,906	4,551	1,018	2,339	8,888	2,212	2,768	4,638	4,327	46
Support Services	—	—	—	1,640	—	(1,640)	—	—	447,073	261
Other Revenue/Expenses	—	7,114	—	—	—	7,114	—	—	—	5,576
Total Functions/Activities	17,693	17,864	17,624	17,679	69	185	4,763	5,309	482,911	224,419

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 12(b). Components of Functions

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

Airport Management, Caravan & Camping Parks, Marinas/Boat Havens, Private Works, Property Portfolio.

COMMUNITY SERVICES

Public Order and Safety, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Children and Youth Services, Community Assistance, Community Transport, Other Community Support, Community Amenities, Bus Shelters, Cemeteries, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

CULTURE

Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

ECONOMIC DEVELOPMENT

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

ENVIRONMENT

Agricultural Services, Agricultural Water, Other Agricultural Services, Sewerage/CWMS, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Other Environment, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, Water Supply and Other Environment.

RECREATION

Jetties, Other Marine Facilities, Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, 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

Bridges, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport, Wharfs & Jetties.

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.

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 0.1% and 0.45% (2019: 0.1% and 1.25%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Carried at nominal values less any allowance for doubtful debts. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract fines of 2% and interest of 6.35% (2019: 2% and 6%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Notes to and forming part of 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:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable on a quarterly and annual basis; interest is charged on a spread of fixed or variable rates between **2.2%** and **6.73%** (2019: **2.95%** and **6.8%**). Overdraft rate is 7.35% (2019: 9.1%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

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	2,985	–	–	2,985	2,985
Receivables	1,672	–	–	1,672	1,672
Other Financial Assets	–	29	26	55	50
Total Financial Assets	4,657	29	26	4,712	4,707
Financial Liabilities					
Payables	1,359	–	–	1,359	1,359
Current Borrowings	1,392	–	–	1,392	1,351
Non-Current Borrowings	–	2,328	8,857	11,185	10,745
Total Financial Liabilities	2,751	2,328	8,857	13,936	13,455
2019					
Cash & Equivalents	1,943	–	–	1,943	1,943
Receivables	2,413	–	–	2,413	2,516
Other Financial Assets	–	–	–	–	(4)
Total Financial Assets	4,356	–	–	4,356	4,455
Financial Liabilities					
Payables	1,565	–	–	1,565	18,895
Current Borrowings	1,900	–	–	1,900	1,366
Non-Current Borrowings	–	5,841	10,814	16,655	13,303
Total Financial Liabilities	3,465	5,841	10,814	20,120	33,564

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
Overdraft	7.35%	–	9.11%	–
Other Variable Rates	2.20%	8,080	2.95%	5,741
Fixed Interest Rates	4.90%	4,016	4.25%	8,928
		12,096		14,669

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 and forming part of 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 allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

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

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

Note 14. Capital Expenditure and Investment Property Commitments

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

(a) Capital Commitments

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

Land Improvements	—	500
Infrastructure	4,000	478
Other	—	55
	<u>4,000</u>	<u>1,033</u>

These expenditures are payable:

Not later than one year	2,000	1,033
Later than one year and not later than 5 years	2,000	—
	<u>4,000</u>	<u>1,033</u>

(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	129	37
IT	62	72
Other	608	540
	<u>799</u>	<u>649</u>

These expenditures are payable:

Not later than one year	409	300
Later than one year and not later than 5 years	390	349
	<u>799</u>	<u>649</u>

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 15. Financial Indicators

\$ '000	Amounts 2020	Indicator 2020	Prior periods	
			2019	2018
<i>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.</i>				
1. Operating Surplus Ratio				
Operating Surplus	(328)	(1.9)%	1.0%	(9.0)%
Total Operating Income	17,287			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net Financial Liabilities	26,022	151%	74%	99%
Total Operating Income	17,287			
<i>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.</i>				
Adjustments to Ratios				
<i>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.</i>				
Adjusted Operating Surplus Ratio				
Operating Surplus	(176)	(1.0)%	1.0%	(10.0)%
Total Operating Income	17,439			
Adjusted Net Financial Liabilities Ratio				
Net Financial Liabilities	25,870	148%	74%	99%
Total Operating Income	17,439			
3. Asset Renewal Funding Ratio				
Net Asset Renewals	3,974	76%	136%	151%
Infrastructure & Asset Management Plan required expenditure	5,243			

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.

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

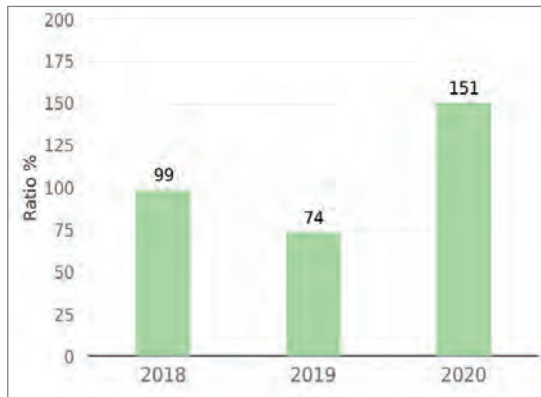
Commentary on 2019/20 result

2019/20 ratio (1.9)%

The change for receipt of the State Government Local Road Funding from assets free of charge to grant income had a significant effect on this ratio from 2018 to 2019.

The bushfires during the year had a significant impact on expenditure for Council. There is a \$405k insurance claim pending for this which will be recognised as income once settled.

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

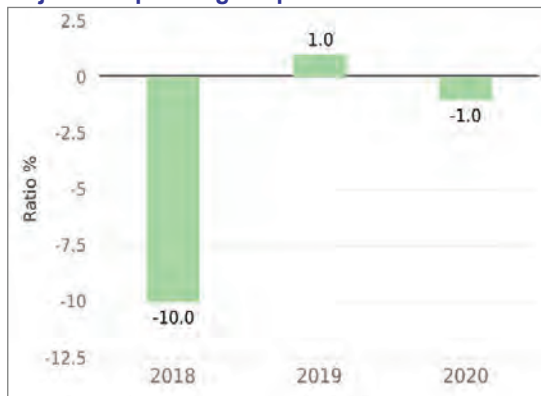
Commentary on 2019/20 result

2019/20 ratio 151%

New accounting standards in relation to lease liabilities and amounts received in advance commenced July 2019 which results in these figures now being included in this ratio where previously they weren't.

This results in a higher Net Financial Liabilities Ratio.

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 (1.0)%

The ratio is adjusted to remove the effect of Financial Assistance and Supplementary Road Grants paid in advance

Notes to and forming part of 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 148%

The ratio is adjusted to remove the effect of Financial Assistance and Supplementary Road Grants paid in advance

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 76%

Council has renewed Infrastructure Asset Management Plans (IAMP) and the required renewal expenditure listed within these revised IAMPs is now included in this ratio.

Previously Council used the depreciation figure solely for this calculation which resulted in a higher ratio in previous years.

Where we don't have completed IAMPs, we have used the actual renewal for the year.

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	17,287	17,864
less Expenses	(17,615)	(17,679)
Operating Surplus / (Deficit)	(328)	185
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(3,974)	(6,773)
add back Depreciation, Amortisation and Impairment	4,892	4,925
add back Proceeds from Sale of Replaced Assets	52	78
	970	(1,770)
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(465)	(1,526)
add back Amounts Received Specifically for New and Upgraded Assets	2,752	4,071
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	228	—
	2,515	2,545
Net Lending / (Borrowing) for Financial Year	3,157	960

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

Right of use assets

Operating leases for motor vehicles with terms ranging from 3-5 years.

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

Right of use assets

\$ '000	Ready to use	Property Lease	Motor Vehicles	Total
2020				
Adoption of AASB 16 at 1 July 2019	—	—	99	99
Additions to right-of-use assets	—	—	285	285
Depreciation charge	—	—	(95)	(95)
Balance at 30 June 2020	—	—	289	289

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2020	2019
Balance at 1 July	99	—
Additions	285	—
Accretion of interest	9	—
Payments	(101)	—
Balance at 30 June	292	—
Classified as:		
Current	107	—
Non Current	185	—

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

The Group had total cash outflows for leases of \$101k.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	95	—
Interest expense on lease liabilities	9	—
Total amount recognised in profit or loss	104	—

Note 17. Leases (continued)

(ii) Council as a lessor

\$ '000	2020	2019
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	42	48
Later than one year and not later than 5 years	39	83
Later than 5 years	3	4
	<u>84</u>	<u>135</u>

Notes to and forming part of 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.

Note 19. Interests in Other Entities

All joint ventures and associates are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

\$ '000	Council's Share of Net Income		Council's Share of Net Assets	
	2020	2019	2020	2019
Council's Share of Net Income				
Joint Ventures	14	(4)	131	117
Total Council's Share of Net Income	14	(4)	131	117

((a)i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

\$ '000	Principal Activity	2020	2019
Fleurieu Regional Waste Authority	Waste and Recycling Management	131	117
Southern and Hills Local Government Association	Local Government Policies & Procedures	—	—
Total Carrying Amounts - Joint Ventures & Associates		131	117

Fleurieu Regional Waste Authority

The Fleurieu Regional Waste Authority (FRWA) is an authority under Section 43 of the Local Government Act (1999). FRWA is a regional subsidiary formed by the member councils; Alexandrina Council, City of Victor Harbor, Kangaroo Island Council, and District Council of Yankalilla in South Australia in order to manage the operation of waste and recycling in the combined areas.

Southern and Hills Local Government Association

The Southern and Hills Local Government Association is a regional subsidiary to represent the interests of all Councils in the Southern Hills, Fleurieu Peninsula and Kangaroo Island within Local Government in South Australia.

The group meets 6 times annually to discuss Local Government policy and procedures and to promote Local Government Initiatives from a regional perspective.

Kangaroo Island Councils interest in the Southern & Hills Local Government Association for 2019-20 is deemed to be immaterial in amount and has not been recognised. This will be reviewed annually.

(b) Relevant Interests

\$ '000	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2020	2019	2020	2019	2020	2019
Fleurieu Regional Waste Authority	15.00%	15.00%	15.00%	15.00%	22.00%	22.00%

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Fleurieu Regional Waste Authority		Southern and Hills Local Government Association	
	2020	2019	2020	2019
Opening Balance	117	121	—	—
Share in Operating Result	14	(4)	—	—
Council's Equity Share in the Joint Venture or Associate	131	117	—	—

(d) Share of Joint Operations Expenditure Commitments

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

\$ '000	2020	2019
Operating Expenditures Payable		
Not later than one year	209	281
Later than one year and not later than 5 years	708	31
	917	312

(e). Contingent Liabilities of Joint Venture Operations

Each Member is Jointly and Severally Liable for the Debts of the Operation

- arising from Council's Share of Joint Operation	878	582
- arising from Joint and Several Liability of all Members	5,850	3,879

(f). Transactions with Council

Aggregate amount of transactions with Council

- receipts from Council	—	1,358
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Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations.

Note 21. 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 **2,485** km of road reserves of average width **20** metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has not guaranteed any loans or other banking facilities to community organisations and sporting bodies. Council does not expect to incur any loss arising from these guarantees

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 1 appeal against planning decisions made prior to reporting date.

Note 22. 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.

COVID-19 has been classified as a global pandemic by the World Health Organisation and has developed rapidly in 2020. Measures taken by the Federal and State governments have affected South Australia's economic activity and Council's operations.

At this stage, the financial impacts on Council's operations have not been significant and Council expects that further impacts on Council's operations to flow into the 2020/21 financial year will not be significant. We refer to note 1.13 providing details of the financial impacts caused by COVID-19 during the 2019/20 financial year.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

Note 23. 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, 13 persons were paid the following total compensation:

\$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	580	526
Post-Employment Benefits	39	40
Supplies	10	15
Total	629	581

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

One Councillor has interests in a printing & signage business that provided goods to the value of \$3,607.

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.

Receipts from Key Management Personnel comprise:

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

Planning & Building Application Fees	1	—
Total	1	—

Note 24. Council information and contact details

Principal place of business:

43 Dauncey St
KINGSCOTE SA 5223

Contact details

Mailing Address:

PO Box 121
KINGSCOTE SA 5223

Telephone: 08 8553 4500

Facsimile: 08 8553 2885

Opening hours:

9.00am to 5.00pm
Monday to Friday

Internet: www.kangarooisland.sa.gov.au

Email: kicouncil@kicouncil.sa.gov.au

Officers

CHIEF EXECUTIVE OFFICER
Greg Georgopoulos

Elected members

Mayor

Michael Pengilly

Councillor

Bob Teasdale - Deputy Mayor

Sam Mumford
Shirley Pledge
Graham Walkom
Rosalie Chirgwin
Peter Tiggemann
Peter Denholm
Ken Liu

Other information

ABN: 93 741 277 391

Auditor's Report – Financial Statements

Galpins

Accountants, Auditors
& Business Consultants

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
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INDEPENDENT AUDITOR'S REPORT

To the members of Kangaroo Island Council

Opinion

We have audited the accompanying financial report of Kangaroo Island Council (the Council), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of Kangaroo Island Council.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (Including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's responsibility for the financial report

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

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Report – Financial Statements

Auditor's responsibility for the audit of the financial report


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

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

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

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA, Registered Company Auditor
Partner

25 November 2020

Auditor's Report – Internal Controls

Galpins

Accountants, Auditors
& Business Consultants

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Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS

To the members of Kangaroo Island Council

Opinion

We have audited the compliance of Kangaroo Island Council (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2019 to 30 June 2020 have been conducted properly and in accordance with law.

In our opinion, Kangaroo Island Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2019 to 30 June 2020.

Basis for opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's responsibility for internal controls

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

Our independence and quality control

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

Auditor's Report – Internal Controls

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2019 to 30 June 2020. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of controls

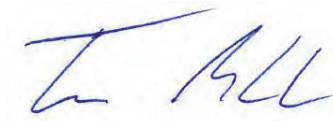
Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

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

Limitation of use

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA, Registered Company Auditor
Partner

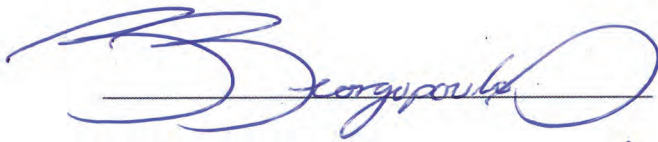
25 November 2020

Certificate of Auditor Independence

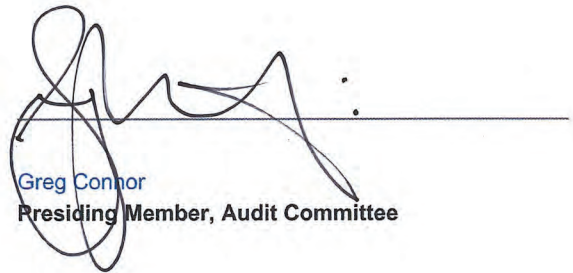
Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Kangaroo Island Council for the year ended 30 June 2020, the Council's Auditor, Galpins – Accountants, Auditors and Business Consultants has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



Greg Georgopoulos
Chief Executive Officer



Greg Connor
Presiding Member, Audit Committee

Date: 24 November 2020

Statement by Auditor

Galpins

Accountants, Auditors
& Business Consultants

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Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Rena Nicholson CA
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KANGAROO ISLAND COUNCIL

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 Kangaroo Island 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 (Including Independence Standards)*, Part 4A, 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) Regulation 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

25 November 2020