

# General purpose financial statement

for the year ended 30 June 2018

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

## Contents

1. Council Certificate	58
2. Primary Financial Statements:	
- Statement of Comprehensive Income	59
- Statement of Financial Position	60
- Statement of Changes in Equity	62
- Statement of Cash Flows	62
3. Notes to the Financial Statements	63
4. Independent Auditor's Report - Financial Statements	99
5. Independent Auditor's Report - Internal Controls	101
6. Certificates of Audit Independence	
- Council Certificate of Audit Independence	103
- Audit Certificate of Audit Independence	104

# 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 2018 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.



**Andrew Boardman**

CHIEF EXECUTIVE OFFICER

Date: 22 November 2018



**Michael Pengilly**

MAYOR

# Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	NOTES	2018	2017
<b>INCOME</b>			
Rates Revenues	2a	9,807	9,206
Statutory Charges	2b	264	234
User Charges	2c	1,169	1,041
Grants, Subsidies and Contributions	2g	3,180	3,447
Investment Income	2d	7	12
Reimbursements	2e	503	1,751
Other Income	2f	138	147
Net Gain - Equity Accounted Council Businesses	19	13	7
<b>TOTAL INCOME</b>		<b>15,081</b>	<b>15,845</b>
<b>EXPENSES</b>			
Employee Costs	3a	4,544	4,657
Materials, Contracts & Other Expenses	3b	6,735	7,198
Depreciation, Amortisation & Impairment	3c	4,636	4,576
Finance Costs	3d	512	557
<b>TOTAL EXPENSES</b>		<b>16,427</b>	<b>16,988</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(1,346)</b>	<b>(1,143)</b>
Asset Disposal & Fair Value Adjustments	4	19	(111)
Amounts Received Specifically for New or Upgraded Assets	2g	1,496	258
Physical Resources Received Free of Charge	2i	1,564	2,024
<b>NET SURPLUS / (DEFICIT)<sup>1</sup></b>		<b>1,733</b>	<b>1,028</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	-	723
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	9a	(13)	-
<b>Total Other Comprehensive Income</b>		<b>(13)</b>	<b>723</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,720</b>	<b>1,751</b>

<sup>1</sup> Transferred to Statement of Changes in Equity

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

# Statement of Financial Position

as at 30 June 2018

\$ '000	NOTES	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5a	4,519	2,917
Trade & Other Receivables	5b	1,068	2,566
Inventories	5c	366	216
<b>TOTAL CURRENT ASSETS</b>		<b>5,953</b>	<b>5,699</b>
<b>Non-Current Assets</b>			
Equity Accounted Investments in Council Businesses	6a	121	108
Infrastructure, Property, Plant & Equipment	7a	218,387	197,346
Other Non-Current Assets	6b	965	6,132
<b>TOTAL NON-CURRENT ASSETS</b>		<b>219,473</b>	<b>203,586</b>
<b>TOTAL ASSETS</b>		<b>225,426</b>	<b>209,285</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8a	4,716	2,191
Borrowings	8b	1,189	1,166
Provisions	8c	971	880
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,876</b>	<b>4,237</b>
<b>Non-Current Liabilities</b>			
Trade & Other Payables	8a	14,013	4,324
Borrowings	8b	15,946	13,866
Provisions	8c	300	287
<b>Total Non-Current Liabilities</b>		<b>30,259</b>	<b>18,477</b>
<b>TOTAL LIABILITIES</b>		<b>37,135</b>	<b>22,714</b>
<b>NET ASSETS</b>		<b>188,291</b>	<b>186,571</b>
<b>EQUITY</b>			
Accumulated Surplus		14,240	13,093
Asset Revaluation Reserves	9a	171,700	171,713
Other Reserves	9b	2,351	1,765
<b>TOTAL COUNCIL EQUITY</b>		<b>188,291</b>	<b>186,571</b>

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 2018

\$ '000	NOTES	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	OTHER RESERVES	TOTAL EQUITY
<b>2018</b>					
Balance at the end of previous reporting period		13,093	171,713	1,765	186,571
<b>a. Net Surplus / (Deficit) for Year</b>		<b>1,733</b>	<b>-</b>	<b>-</b>	<b>1,733</b>
<b>b. Other Comprehensive Income</b>					
- IPP&E Impairment (Expense) / Recoupments Offset to ARR	7a	-	(13)	-	(13)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>(13)</b>	<b>-</b>	<b>(13)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,733</b>	<b>(13)</b>	<b>-</b>	<b>1,720</b>
<b>c. Transfers between Reserves</b>		<b>(586)</b>	<b>-</b>	<b>586</b>	<b>-</b>
<b>BALANCE AT THE END OF PERIOD</b>		<b>14,240</b>	<b>171,700</b>	<b>2,351</b>	<b>188,291</b>
<b>2017</b>					
Balance at the end of previous reporting period		11,817	170,990	2,013	184,820
<b>a. Net Surplus / (Deficit) for Year</b>		<b>1,028</b>	<b>-</b>	<b>-</b>	<b>1,028</b>
<b>b. Other Comprehensive Income</b>					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	723	-	723
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>723</b>	<b>-</b>	<b>723</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,028</b>	<b>723</b>	<b>-</b>	<b>1,751</b>
<b>c. Transfers between Reserves</b>		<b>248</b>	<b>-</b>	<b>(248)</b>	<b>-</b>
<b>BALANCE AT THE END OF PERIOD</b>		<b>13,093</b>	<b>171,713</b>	<b>1,765</b>	<b>186,571</b>

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 2018

\$ '000	NOTES	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates Receipts		9,912	9,189
Statutory Charges		264	234
User Charges		1,195	1,041
Grants, Subsidies and Contributions (operating purpose)		3,012	3,447
Investment Receipts		6	12
Reimbursements		484	1,751
Other Receipts		16,296	4,936
<b>Payments</b>			
Payments to Employees		(4,455)	(4,542)
Payments for Materials, Contracts & Other Expenses		(9,268)	(8,258)
Finance Payments		(503)	(529)
<b>NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES</b>	<b>11B</b>	<b>16,943</b>	<b>7,281</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Amounts Received Specifically for New/Upgraded Assets		1,496	258
Sale of Replaced Assets		60	18
Sale of Surplus Assets		70	39
<b>Payments</b>			
Expenditure on Renewal/Replacement of Assets		(7,066)	(2,162)
Expenditure on New/Upgraded Assets		(12,004)	(7,958)
<b>NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES</b>		<b>(17,444)</b>	<b>(9,805)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from Borrowings		4,569	4,115
Proceeds from Bonds & Deposits		5	-
<b>Payments</b>			
Repayments of Borrowings		(2,466)	(1,276)
Repayment of Other Borrowings		(5)	-
Repayment of Bonds & Deposits		-	(45)
<b>NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>		<b>2,103</b>	<b>2,794</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>1,602</b>	<b>270</b>
plus: Cash & Cash Equivalents at beginning of period	11	2,917	2,647
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>11</b>	<b>4,519</b>	<b>2,917</b>

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 2018

## Contents

<b>Note</b>	<b>Details</b>	<b>Page</b>
1	Significant Accounting Policies	64
2	Income	70
3	Expenses	73
4	Asset Disposal & Fair Value Adjustments	74
<b>Current Assets</b>		
5a	Cash & Cash Equivalents	75
5b	Trade & Other Receivables	75
5c	Inventories	75
<b>Non-Current Assets</b>		
6a	Equity Accounted Investments in Council Businesses	75
6b	Other Non-Current Assets	75
<b>Fixed Assets</b>		
7a	Infrastructure, Property, Plant & Equipment	76
7b	Valuation of Infrastructure, Property, Plant & Equipment & Investment Property	77
<b>Liabilities</b>		
8a	Trade & Other Payables	79
8b	Borrowings	79
8c	Provisions	79
<b>Reserves</b>		
9a	Asset Revaluation Reserve	80
9b	Other Reserves	80
10	Assets Subject to Restrictions	82
11	Reconciliation to Statement of Cashflows	83
12a	Functions	84
12b	Components of Functions	85
13	Financial Instruments	86
14	Commitments for Expenditure	90
15	Financial Indicators	91
16	Uniform Presentation of Finances	93
17	Operating Leases	94
18	Superannuation	95
19	Interests in Other Entities	96
20	Non Current Assets Held for Sale & Discontinued Operations	97
21	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	97
22	Events After the Balance Sheet Date	98
23	Related Party Transactions	98
<b>Additional Council Disclosures</b>		
24	Council Information & Contact Details	98

# Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## 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 22 November 2018.

#### 1.2 Historical Cost Convention

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

#### 1.3 Critical Accounting Estimates

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

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

#### 1.4 Rounding

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

### 2 The Local Government Reporting Entity

Kangaroo Island Council is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at 43 Dauncey St 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 2018, Kangaroo Island Council has net current assets of \$2,060,000 [2017 net current assets of \$1,462,400].

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

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

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

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

	<b>Cash Payment Received \$'000</b>	<b>Annual Allocation \$'000</b>	<b>Difference \$'000</b>
2015/16	\$896	\$1,832	- \$936
2016/17	\$2,778	\$1,834	+ \$944
2017/18	\$2,114	\$1,997	+ \$117

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.

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

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

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

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

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

### 5 Inventories

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

### 6 Infrastructure, Property, Plant & Equipment

#### 6.1 Initial Recognition

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

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

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### 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
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
Building & Other Structures	7 to 100 years

### Infrastructure

Roads – pavement for sealed and unsealed built to specification	N/A
Roads – wearing surface for sealed and unsealed	5 to 100 years
Bridges	5 to 100 years
Footpaths, Kerb & Gutter	5 to 100 years
Stormwater Drainage	50 to 70 years
Community Wastewater Management Schemes	10 to 70 years
Furniture & Fittings	3 to 100 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

### 9.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 1.97% (2017, 1.5%)

Weighted avg. settlement period 7 years (2017, 7 years)

### 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

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

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

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

## 12 Construction Contracts

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

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

received in advance are recognised as “payments received in advance”.

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

### 13 Equity Accounted Council Businesses

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

### 14 GST Implications

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

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

### 15 New accounting standards and UIG interpretations

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

Kangaroo Island Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

The standards that are expected to have a material impact upon Council's future financial statements are:

#### Effective for annual reporting periods beginning on or after 1 January 2018

- *AASB 9 Financial Instruments* This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.
- *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities* and *AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

#### Effective for annual reporting periods beginning on or after 1 January 2019

- *AASB 16 Leases* Council has some leases that are not in the Statement of Financial Position. These will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

The standards are not expected to have a material impact upon Council's future financial statements are:

#### **Effective for annual reporting periods beginning on or after 1 January 2017**

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

#### **Effective for annual reporting periods beginning on or after 1 January 2018**

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

#### **Effective for annual reporting periods beginning on or after 1 January 2019**

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*

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

- AASB 17 *Insurance Contracts*
- AASB 17 *Insurance Contracts (Appendix D)*

## 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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 2. Income

\$ '000	NOTES	2018	2017
<b>(A). RATES REVENUES</b>			
<b>General Rates</b>			
General Rates		6,522	6,287
Less: Discretionary Rebates, Remissions & Write Offs		(94)	(94)
<b>TOTAL GENERAL RATES</b>		<b>6,428</b>	<b>6,193</b>
<b>Other Rates (Including Service Charges)</b>			
Natural Resource Management Levy		385	177
Waste Collection		1,545	1,512
Community Wastewater Management Systems		1,364	1,232
<b>TOTAL OTHER RATES</b>		<b>3,294</b>	<b>2,921</b>
<b>Other Charges</b>			
Penalties for Late Payment		84	77
Legal & Other Costs Recovered		1	15
<b>TOTAL OTHER CHARGES</b>		<b>85</b>	<b>92</b>
<b>TOTAL RATES REVENUES</b>		<b>9,807</b>	<b>9,206</b>
<b>(B). STATUTORY CHARGES</b>			
Development Act Fees		93	67
Health & Septic Tank Inspection Fees		52	43
Animal Registration Fees & Fines		54	51
Parking Fines / Expiation Fees		9	10
Other Licences, Fees & Fines		30	42
Rate Searches		26	21
<b>TOTAL STATUTORY CHARGES</b>		<b>264</b>	<b>234</b>
<b>(C). USER CHARGES</b>			
Cemetery/Crematoria Fees		38	32
Hall & Equipment Hire		145	155
Sales - General		-	1
Sundry		112	59
Biosolids Fees		7	11
Aerodrome Fees		441	402
Lease Fees		344	327
Camping Fees		82	54
<b>TOTAL USER CHARGES</b>		<b>1,169</b>	<b>1,041</b>

## Note 2. Income (continued)

\$ '000	NOTES	2018	2017
<b>(D). INVESTMENT INCOME</b>			
Interest on Investments			
- Local Government Finance Authority		7	12
<b>TOTAL INVESTMENT INCOME</b>		<b>7</b>	<b>12</b>
<b>(E). REIMBURSEMENTS</b>			
Private Works		334	781
Solar Contributions		2	4
Insurances		33	59
CWMS Connections		38	182
Airport Internal Works		22	677
Other		74	48
<b>TOTAL REIMBURSEMENTS</b>		<b>503</b>	<b>1,751</b>
<b>(F). OTHER INCOME</b>			
Sundry		52	54
Insurance Rebates		52	47
Traineeships		30	29
Donations		-	3
Standpipe Fees		1	4
Late Fees/Private Hire		3	4
Other		-	6
<b>TOTAL OTHER INCOME</b>		<b>138</b>	<b>147</b>
<b>(G). GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts Received Specifically for New or Upgraded Assets		1,496	258
<b>TOTAL AMOUNTS RECEIVED SPECIFICALLY FOR NEW OR UPGRADED ASSETS</b>		<b>1,496</b>	<b>258</b>
Other Grants, Subsidies and Contributions		486	90
Untied - Financial Assistance Grant		1,023	1,834
Roads to Recovery		580	579
Library and Communications		30	-
Individually Significant Item - Additional Grants Commission Payment (refer below)		1,061	944
<b>TOTAL OTHER GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		<b>3,180</b>	<b>3,447</b>
<b>TOTAL GRANTS, SUBSIDIES, CONTRIBUTIONS</b>		<b>4,676</b>	<b>3,705</b>

The functions to which these grants relate are shown in Note 12.



# Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 2. Income (continued)

\$ '000	NOTES	2018	2017
<b>(G). GRANTS, SUBSIDIES, CONTRIBUTIONS (CONTINUED)</b>			
<b>(i) Sources of grants</b>			
Commonwealth Government		758	3,411
State Government		3,841	194
Other		77	100
<b>TOTAL</b>		<b>4,676</b>	<b>3,705</b>
<b>(ii) Individually Significant Items</b>			
Grant Commission (FAG) Grant Recognised as Income		1,061	944
On the 22nd June 2018 Council received an advance payment of \$1,060,930 being 50% of the estimated FAGS grant income for the 2018/19 financial year. In 2016/17 Council received an advance payment of \$944,136 being 50% of estimated FAGS grant in 2017/18 year.			
<b>(H). CONDITIONS OVER GRANTS &amp; CONTRIBUTIONS</b>			
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:			
<b>Unexpended at the close of the previous reporting period</b>		<b>257</b>	<b>1,231</b>
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Roads Infrastructure		(40)	-
Heritage & Cultural Services		(18)	-
CWMS		-	(1,126)
Community Services		(199)	-
<b>SUBTOTAL</b>		<b>(257)</b>	<b>(1,126)</b>
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Roads Infrastructure		110	40
Heritage & Cultural Services		-	18
Community Services		-	94
<b>SUBTOTAL</b>		<b>110</b>	<b>152</b>
Unexpended at the close of this reporting period		110	257
<b>NET INCREASE (DECREASE) IN ASSETS SUBJECT TO CONDITIONS IN THE CURRENT REPORTING PERIOD</b>		<b>(147)</b>	<b>(974)</b>
<b>(I). PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>			
Roads, Bridges & Footpaths		1,564	2,024
<b>TOTAL PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>		<b>1,564</b>	<b>2,024</b>



## Note 3. Expenses

\$ '000	NOTES	2018	2017
<b>(A). EMPLOYEE COSTS</b>			
Salaries and Wages		2,971	2,994
Employee Leave Expense		797	836
Superannuation - Defined Contribution Plan Contributions	18	305	324
Superannuation - Defined Benefit Plan Contributions	18	76	75
Workers' Compensation Insurance		166	211
Other		229	217
<b>TOTAL OPERATING EMPLOYEE COSTS</b>		<b>4,544</b>	<b>4,657</b>
Total Number of Employees (full time equivalent at end of reporting period)		55	55
<b>(B). MATERIALS, CONTRACTS AND OTHER EXPENSES</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports and Grant Acquittals		47	32
Elected Members' Expenses		218	223
Election Expenses		3	-
<b>SUBTOTAL - PRESCRIBED EXPENSES</b>		<b>268</b>	<b>255</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		1,736	2,613
Contractors - Fleurieu Regional Waste Authority (FRWA)		1,418	1,277
Community Grants Provided		284	430
Energy		409	300
Insurances		251	257
Legal Expenses		47	52
Levies Paid to Government - NRM levy		385	176
Levies - Other		1	-
Parts, Accessories & Consumables		723	775
Professional Services		262	258
Sundry		617	502
Telecoms & Software		232	187
Lease & Rental		102	116
<b>SUBTOTAL - OTHER MATERIAL, CONTRACTS &amp; EXPENSES</b>		<b>6,467</b>	<b>6,943</b>
<b>TOTAL MATERIALS, CONTRACTS AND OTHER EXPENSES</b>		<b>6,735</b>	<b>7,198</b>

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### Note 3. Expenses (continued)

\$ '000	NOTES	2018	2017
<b>(C). DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>			
<b>(i) Depreciation and Amortisation</b>			
Land Improvements		430	503
Buildings & Other Structures		323	324
Infrastructure			
- Stormwater Drainage		96	95
- CWMS		612	539
- Roads/Bridges/Footpaths		2,597	2,600
- Airport Upgrade		265	-
Library Books		1	1
Plant, Machinery & Equipment		279	481
Office Equipment, Furniture & Fittings		33	33
<b>SUBTOTAL</b>		<b>4,636</b>	<b>4,576</b>
<b>(ii) Impairment</b>			
Nil			
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>		<b>4,636</b>	<b>4,576</b>
<b>(D). FINANCE COSTS</b>			
Interest on Loans		507	557
Premiums & Discounts Recognised		5	-
<b>TOTAL FINANCE COSTS</b>		<b>512</b>	<b>557</b>

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

\$ '000	NOTES	2018	2017
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<b>(i) Assets Renewed or Directly Replaced</b>			
Proceeds from Disposal		60	18
Less: Carrying Amount of Assets Sold		(60)	(94)
<b>GAIN (LOSS) ON DISPOSAL</b>		<b>-</b>	<b>(76)</b>
<b>(ii) Assets Surplus to Requirements</b>			
Proceeds from Disposal		70	39
Less: Carrying Amount of Assets Sold		(51)	(74)
<b>GAIN (LOSS) ON DISPOSAL</b>		<b>19</b>	<b>(35)</b>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<b>19</b>	<b>(111)</b>

## Note 5. Current Assets

\$ '000	NOTES	2018	2017
<b>(A). CASH &amp; CASH EQUIVALENTS</b>			
Cash on Hand at Bank		1,652	236
Deposits at Call		2,867	2,681
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>		<b>4,519</b>	<b>2,917</b>
<b>(B). TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		667	772
Accrued Revenues		12	50
Debtors - General		357	1,642
GST Recoupment		11	26
Prepayments		21	76
<b>TOTAL TRADE &amp; OTHER RECEIVABLES</b>		<b>1,068</b>	<b>2,566</b>
<b>(C). INVENTORIES</b>			
Stores & Materials		366	216
<b>TOTAL INVENTORIES</b>		<b>366</b>	<b>216</b>

## Note 6. Non-Current Assets

\$ '000	NOTES	2018	2017
<b>(A). EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES</b>			
Fleurieu Regional Waste Authority	19	121	108
<b>TOTAL EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES</b>		<b>121</b>	<b>108</b>
<b>(B). OTHER NON-CURRENT ASSETS</b>			
Capital Works-in-Progress		965	6,132
<b>TOTAL OTHER NON-CURRENT ASSETS</b>		<b>965</b>	<b>6,132</b>

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 7a. Infrastructure, Property, Plant &amp; Equipment

	AS AT 30/6/2017				ASSET MOVEMENTS DURING THE REPORTING PERIOD							AS AT 30/6/2018			
	FAIR VALUE LEVEL	AT FAIR VALUE	AT COST	ACCUMULATED DEPN	CARRYING VALUE	NEW / UPGRADE	RENEWALS	WVD OF ASSET DISPOSALS	DEPRECIATION EXPENSE (NOTE 3C)	IMPAIRMENT LOSS (RECOGNISED IN EQUITY) (NOTE 9)	TFRS FROM/(TO) -AMALG-AMATIONS	AT FAIR VALUE	AT COST	ACCUMULATED DEPN	CARRYING VALUE
Land	2	26,103	400	-	26,503	-	-	-	-	-	-	26,103	400	-	26,503
Land Improvements	2	403	-	287	116	-	-	-	(7)	-	-	403	-	294	109
Land Improvements	3	16,891	75	9,634	7,332	13	50	-	(423)	-	-	16,891	61	9,980	6,972
Buildings & Other Structures	2	12,242	-	10,262	1,980	60	38	-	(224)	-	90	12,242	98	10,397	1,943
Buildings & Other Structures	3	9,451	224	3,318	6,357	-	37	-	(99)	-	(90)	9,451	261	3,506	6,206
Infrastructure															
- Stormwater Drainage	3	7,411	125	2,902	4,634	108	37	-	(96)	-	-	7,412	269	2,998	4,683
- CWMS	3	27,686	5,519	7,889	25,316	-	70	(51)	(612)	-	-	27,636	5,588	8,501	24,723
- Roads/Bridges/ Footpaths	3	166,052	13,805	58,143	121,714	1,965	1,470	-	(2,597)	-	-	166,052	17,240	60,739	122,553
- Airport Upgrade	3	-	-	-	-	9,858	11,720	-	(265)	-	-	-	21,578	265	21,313
Library Books	3	600	14	612	2	-	-	-	(1)	-	-	601	14	614	1
Plant, Machinery & Equipment	3	7,679	87	4,515	3,251	-	372	(73)	(279)	(13)	-	7,379	459	4,567	3,271
Office Equipment, Furniture & Fittings	3	531	158	548	141	-	-	-	(33)	-	-	532	158	580	110
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>275,049</b>	<b>20,407</b>	<b>98,110</b>	<b>- 197,346</b>	<b>12,004</b>	<b>13,794</b>	<b>(124)</b>	<b>(4,636)</b>	<b>(13)</b>	<b>-</b>	<b>274,702</b>	<b>46,126</b>	<b>102,441</b>	<b>- 218,387</b>
Comparatives		269,907	14,106	92,132	- 191,881	7,958	1,530	(167)	(4,576)	-	-	275,049	20,407	98,110	- 197,346

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

### 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 restated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, 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 2018

### Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (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 2018 is 40 years (2017 – 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 Tonkin's Engineering at depreciated current replacement cost as at 30 June 2014, GHD reviewed data at 1 July 2014, and an in-house valuation undertaken for 30 June 2015.

Stormwater drainage infrastructure was valued by Tonkin's Engineering as at 30 June 2014 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 2014 by Tonkin's Engineering Consultants 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	NOTES	2018 CURRENT	2018 NON CURRENT	2017 CURRENT	2017 NON CURRENT
<b>(A). TRADE AND OTHER PAYABLES</b>					
Goods & Services		1,306	-	1,768	-
Payments Received in Advance <sup>1</sup>		2,698	14,013	135	4,324
Accrued Expenses - Employee Entitlements		119	-	122	-
Accrued Expenses - Finance Costs		91	-	87	-
Accrued Expenses - Other		461	-	45	-
Deposits, Retentions & Bonds		39	-	34	-
Other		2	-	-	-
<b>TOTAL TRADE AND OTHER PAYABLES</b>		<b>4,716</b>	<b>14,013</b>	<b>2,191</b>	<b>4,324</b>
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>(B). BORROWINGS</b>					
Loans		1,189	15,946	1,166	13,866
<b>TOTAL BORROWINGS</b>		<b>1,189</b>	<b>15,946</b>	<b>1,166</b>	<b>13,866</b>
All interest bearing liabilities are secured over the future revenues of the Council					
<b>(C). PROVISIONS</b>					
Employee Entitlements (including oncosts)		960	109	863	87
Future Reinstatement / Restoration, etc		11	191	17	200
<b>TOTAL PROVISIONS</b>		<b>971</b>	<b>300</b>	<b>880</b>	<b>287</b>

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 9. Reserves

\$ '000	1/7/2017	INCREMENTS (DECREMENTS)	TRANSFERS	IMPAIRMENTS	30/6/2018
<b>(A). ASSET REVALUATION RESERVE</b>					
Land	21,244	-	-	-	21,244
Land Improvements	6,337	-	-	-	6,337
Buildings & Other Structures	771	-	-	-	771
Infrastructure					
- Stormwater Drainage	3,768	-	-	-	3,768
- CWMS	10,141	-	-	-	10,141
- Roads/Bridges/Footpaths	126,827	-	-	-	126,827
Plant & Equipment	2,059	-	-	(13)	2,046
Furniture & Fittings	362	-	-	-	362
Library Books	204	-	-	-	204
<b>TOTAL ASSET REVALUATION RESERVE</b>	<b>171,713</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>171,700</b>
Comparatives	170,990	723	-	-	171,713

\$ '000	1/7/2017	TFRS TO RESERVE	TFRS FROM RESERVE	OTHER MOVEMENTS	30/6/2018
<b>(B). OTHER RESERVES</b>					
Airport Reserve	914	311	-	-	1,225
CWMS Reserve	394	273	-	-	667
Asset Reinvestment Reserve	289	-	-	-	289
Kingscote CBD Car Park Reserve	28	1	-	-	29
Open Space Reserve	80	1	-	-	81
Ronald Maxwell Bell Property Reserve	60	-	-	-	60
<b>TOTAL OTHER RESERVES</b>	<b>1,765</b>	<b>586</b>	<b>-</b>	<b>-</b>	<b>2,351</b>
Comparatives	2,013	2	(250)	-	1,765



## 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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### Note 10. Assets Subject to Restrictions

\$ '000	NOTES	2018	2017
<p>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.</p>			
<b>CASH &amp; FINANCIAL ASSETS</b>			
Unexpended amounts received from Federal Government			
Developer Contributions		97	108
Sale of Ratepayer's Property		61	60
Community Services		34	199
Infrastructure		110	40
Heritage and Culture		-	18
<b>TOTAL CASH &amp; FINANCIAL ASSETS</b>		<b>302</b>	<b>425</b>
Land Assets <sup>1</sup>		26,503	26,503
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>26,503</b>	<b>26,503</b>
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<b>26,805</b>	<b>26,928</b>

<sup>1</sup> 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.

## Note 11. Reconciliation to Statement of Cash Flows

\$ '000	NOTES	2018	2017
<b>(A). RECONCILIATION OF CASH</b>			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	4,519	2,917
Less: Short-Term Borrowings	8	-	-
<b>BALANCES PER STATEMENT OF CASH FLOWS</b>		<b>4,519</b>	<b>2,917</b>
<b>(B). RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FROM OPERATING ACTIVITIES</b>			
<b>Net Surplus/(Deficit)</b>		<b>1,733</b>	<b>1,028</b>
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		4,636	4,576
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(13)	(7)
Premiums & Discounts Recognised & Unwound		5	-
Non-Cash Asset Acquisitions		(1,564)	(2,024)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(1,496)	(258)
Net (Gain) Loss on Disposals		(19)	111
		<b>3,282</b>	<b>3,426</b>
<b>Add (Less): Changes in Net Current Assets</b>			
Net (Increase)/Decrease in Receivables		1,498	(908)
Net (Increase)/Decrease in Inventories		(150)	5
Net Increase/(Decrease) in Trade & Other Payables		12,209	4,694
Net Increase/(Decrease) in Unpaid Employee Benefits		119	110
Net Increase/(Decrease) in Other Provisions		(15)	(46)
<b>NET CASH PROVIDED BY (OR USED IN) OPERATIONS</b>		<b>16,943</b>	<b>7,281</b>
<b>(C). NON-CASH FINANCING AND INVESTING ACTIVITIES</b>			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	1,564	2,024
<b>AMOUNTS RECOGNISED IN INCOME STATEMENT</b>		<b>1,564</b>	<b>2,024</b>
<b>TOTAL NON-CASH FINANCING &amp; INVESTING ACTIVITIES</b>		<b>1,564</b>	<b>2,024</b>
<b>(D). FINANCING ARRANGEMENTS</b>			
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		4,059	5,828
The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.			

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### Note 12a. Functions

FUNCTIONS/ ACTIVITIES	INCOME, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS / ACTIVITIES. DETAILS OF THESE FUNCTIONS/ACTIVITIES ARE PROVIDED IN NOTE 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017
Business Undertakings	1,376	2,341	1,593	1,838	(217)	503	-	-	26,002	10,491
Community Services	346	127	1,134	1,048	(788)	(921)	257	40	1,141	1,169
Culture	58	55	253	377	(195)	(322)	30	29	962	1,023
Economic Development	-	-	70	88	(70)	(88)	-	-	343	361
Environment	3,435	3,179	3,723	3,367	(288)	(188)	-	-	30,954	31,133
Recreation	4	2	535	622	(531)	(620)	-	-	29,878	29,961
Regulatory Services	214	167	705	698	(491)	(531)	-	-	12	26
Transport & Communication	646	699	4,599	4,565	(3,953)	(3,866)	580	599	125,825	125,077
Plant Hire & Depot/Indirect	-	-	354	623	(354)	(623)	-	-	3,971	3,860
Governance	2,442	2,903	1,822	1,972	620	931	2,313	2,779	52	72
Support Services	-	45	1,639	1,791	(1,639)	(1,746)	-	-	283	306
Other Revenue/ Expenses	6,547	6,321	-	-	6,547	6,321	-	-	6,003	5,806
<b>TOTAL FUNCTIONS/ ACTIVITIES</b>	<b>15,068</b>	<b>15,839</b>	<b>16,427</b>	<b>16,989</b>	<b>(1,359)</b>	<b>(1,150)</b>	<b>3,180</b>	<b>3,447</b>	<b>225,426</b>	<b>209,285</b>

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

## Note 12b. Components of Functions

The activities relating to Council functions are as follows:

### BUSINESS UNDERTAKINGS

Caravan & Camping Parks, Marinas/Boat Havens, Private Works, Property Portfolio, Sewerage/CWMS, Water Supply.

### 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, 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, 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

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

### COUNCIL ADMINISTRATION

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

# Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 13. Financial Instruments

RECOGNISED FINANCIAL INSTRUMENTS	
<p><b>Bank, Deposits at Call, Short Term Deposits</b></p>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <hr/> <p><b>Terms &amp; Conditions:</b> Deposits are returning fixed interest rates between 0.1% and 1.5% (2017: 0.1% and 1.5%).</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value due to the short term to maturity.</p>
<p><b>Receivables</b></p> <p>Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</p> <p>Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts.</p> <p>An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <hr/> <p><b>Terms &amp; Conditions:</b> Secured over the subject land, arrears attract fines of 2% and interest of 6.6% (2017: 2% and 6.75%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value (after deduction of any allowance).</p>
<p><b>Receivables</b></p> <p>Fees &amp; Other Charges</p>	<p><b>Accounting Policy:</b> 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.</p> <hr/> <p><b>Terms &amp; Conditions:</b> Unsecured, and attract interest of 10% (2017: 10%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value (after deduction of any allowance).</p>

## Note 13. Financial Instruments (continued)

RECOGNISED FINANCIAL INSTRUMENTS	
<p><b>Receivables</b></p> <p>Other Levels of Government</p>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <hr/> <p><b>Terms &amp; Conditions:</b> 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.</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value.</p>
<p><b>Liabilities</b></p> <p>Creditors and Accruals</p>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <hr/> <p><b>Terms &amp; Conditions:</b> Liabilities are normally settled on 30 day terms.</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value.</p>
<p><b>Liabilities</b></p> <p>Interest Bearing Borrowings</p>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <hr/> <p><b>Terms &amp; Conditions:</b> Secured over future revenues, borrowings are repayable by two instalments annually of principal and interest; interest is charged at fixed or variable rates between 3.6% and 6.8% (2017: 3.85% and 6.8%). Overdraft rate is 9% (2017: 9%).</p> <hr/> <p><b>Carrying Amount:</b> Approximates fair value.</p>
<p><b>Liabilities</b></p> <p>Finance Leases</p>	<p><b>Accounting Policy:</b> Accounted for in accordance with AASB 117.</p>

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 13. Financial Instruments (continued)

\$ '000	DUE < 1 YEAR	DUE > 1 YEAR & ≤ 5 YEARS	DUE > 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING VALUES
<b>2018</b>					
<b>Financial Assets</b>					
Cash & Equivalents	4,519	-	-	4,519	4,519
Receivables	369	-	-	369	369
<b>TOTAL FINANCIAL ASSETS</b>	<b>4,888</b>	<b>-</b>	<b>-</b>	<b>4,888</b>	<b>4,888</b>
<b>Financial Liabilities</b>					
Payables	1,634	-	-	1,634	2,018
Current Borrowings	1,886	-	-	1,886	1,189
Non-Current Borrowings	-	10,209	9,154	19,363	15,946
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>3,520</b>	<b>10,209</b>	<b>9,154</b>	<b>22,883</b>	<b>19,153</b>
<b>2017</b>					
<b>Financial Assets</b>					
Cash & Equivalents	2,917	-	-	2,917	2,917
Receivables	1,692	-	-	1,692	1,692
<b>TOTAL FINANCIAL ASSETS</b>	<b>4,609</b>	<b>-</b>	<b>-</b>	<b>4,609</b>	<b>4,609</b>
<b>Financial Liabilities</b>					
Payables	2,056	-	-	2,056	6,515
Current Borrowings	3,472	-	-	3,472	1,166
Non-Current Borrowings	-	6,949	8,139	15,088	13,866
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,528</b>	<b>6,949</b>	<b>8,139</b>	<b>20,616</b>	<b>21,547</b>
<b>THE FOLLOWING INTEREST RATES WERE APPLICABLE TO COUNCIL'S BORROWINGS AT BALANCE DATE:</b>					
	<b>30 JUNE 2018</b>	<b>CARRYING</b>	<b>30 JUNE 2017</b>	<b>CARRYING</b>	
	<b>WEIGHTED AVG</b>	<b>VALUE</b>	<b>WEIGHTED AVG</b>	<b>VALUE</b>	
	<b>INTEREST RATE</b>		<b>INTEREST RATE</b>		
Overdraft	9.00%	-	9.00%	-	
Other Variable Rates	3.60%	8,704	3.75%	6,020	
Fixed Interest Rates	4.73%	8,431	4.50%	9,012	
		<b>17,135</b>		<b>15,032</b>	

**Net Fair Value**

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



## 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.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### Note 14. Commitments for Expenditure

\$ '000	NOTES	2018	2017
<b>(A). CAPITAL COMMITMENTS</b>			
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>			
Land Improvements		1,238	320
		<b>1,238</b>	<b>320</b>
<b>These expenditures are payable:</b>			
Not later than one year		1,238	309
Later than one year and not later than 5 years		-	11
Later than 5 years		-	-
		<b>1,238</b>	<b>320</b>
<b>(B). OTHER EXPENDITURE COMMITMENTS</b>			
<b>Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:</b>			
Audit Services		72	119
IT		144	228
Managed Services		48	159
Other		345	364
		<b>609</b>	<b>870</b>
<b>These expenditures are payable:</b>			
Not later than one year		494	493
Later than one year and not later than 5 years		115	377
Later than 5 years		-	-
		<b>609</b>	<b>870</b>
<b>(C). FINANCE LEASE COMMITMENTS</b>			
Council has no Finance Leases.			

## Note 15. Financial Indicators

\$ '000	AMOUNTS	INDICATOR	PRIOR PERIODS	
	2018	2018	2017	2016

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

### 1. OPERATING SURPLUS RATIO

Operating Surplus/(Deficit)	(1,346)	(9%)	(7%)	(23%)
Total Operating Income	15,081			

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

### 2. NET FINANCIAL LIABILITIES RATIO

Net Financial Liabilities	14,880	99%	85%	90%
Total Operating Income	15,081			

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.

### Adjustments to Ratios

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

<b>Adjusted Operating Surplus Ratio</b>		<b>(10%)</b>	<b>(14%)</b>	<b>(15%)</b>
<b>Adjusted Net Financial Liabilities Ratio</b>		<b>99%</b>	<b>91%</b>	<b>90%</b>

### 3. ASSET SUSTAINABILITY RATIO

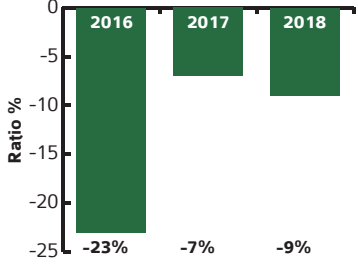
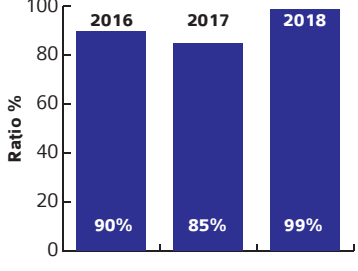
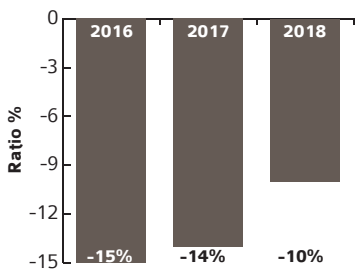
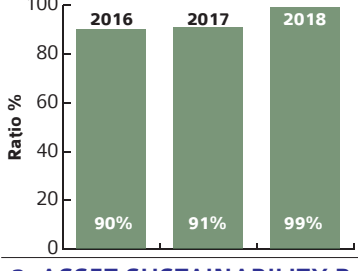
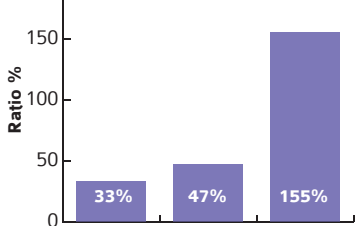
Net Asset Renewals	7,006	155%	47%	33%
Infrastructure & Asset Management Plan required expenditure	4,510			

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

# Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 15. Financial/(Deficit) Indicators – Graphs

<p><b>1. OPERATING SURPLUS RATIO</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-23%</td> </tr> <tr> <td>2017</td> <td>-7%</td> </tr> <tr> <td>2018</td> <td>-9%</td> </tr> </tbody> </table>	Year	Ratio %	2016	-23%	2017	-7%	2018	-9%	<p><b>PURPOSE OF OPERATING SURPLUS RATIO</b></p> <p>This indicator is to determine the percentage the operating revenue varies from operating expenditure</p>	<p><b>COMMENTARY ON 2017/18 RESULT</b></p> <p><b>2017/18 Ratio -9%</b></p> <p>Council's high depreciation costs due to its extensive road networks makes it difficult for Council to return operating surpluses after depreciation, however Council believes this line is trending favourably over the longer term.</p>
Year	Ratio %									
2016	-23%									
2017	-7%									
2018	-9%									
<p><b>2. NET FINANCIAL LIABILITIES RATIO</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>90%</td> </tr> <tr> <td>2017</td> <td>85%</td> </tr> <tr> <td>2018</td> <td>99%</td> </tr> </tbody> </table>	Year	Ratio %	2016	90%	2017	85%	2018	99%	<p><b>PURPOSE OF NET FINANCIAL LIABILITIES RATIO</b></p> <p>This indicator shows the significance of the net amount owed to others, compared to operating revenue</p>	<p><b>COMMENTARY ON 2017/18 RESULT</b></p> <p><b>2017/18 Ratio 99%</b></p> <p>The Net Financial Liabilities Ratio meets the target for 2018 which is to be less than a years operating revenue.</p>
Year	Ratio %									
2016	90%									
2017	85%									
2018	99%									
<p><b>ADJUSTED OPERATING SURPLUS RATIO</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-15%</td> </tr> <tr> <td>2017</td> <td>-14%</td> </tr> <tr> <td>2018</td> <td>-10%</td> </tr> </tbody> </table>	Year	Ratio %	2016	-15%	2017	-14%	2018	-10%	<p><b>PURPOSE OF ADJUSTED OPERATING SURPLUS RATIO</b></p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p>	<p><b>COMMENTARY ON 2017/18 RESULT</b></p> <p><b>2017/18 Ratio -10%</b></p> <p>This ratio provides a clearer picture of Council's actual result for the year in that grants received in advance are excluded.</p>
Year	Ratio %									
2016	-15%									
2017	-14%									
2018	-10%									
<p><b>ADJUSTED NET FINANCIAL LIABILITIES RATIO</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>90%</td> </tr> <tr> <td>2017</td> <td>91%</td> </tr> <tr> <td>2018</td> <td>99%</td> </tr> </tbody> </table>	Year	Ratio %	2016	90%	2017	91%	2018	99%	<p><b>PURPOSE OF ADJUSTED NET FINANCIAL LIABILITIES RATIO</b></p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p>	<p><b>COMMENTARY ON 2017/18 RESULT</b></p> <p><b>2017/18 Ratio 99%</b></p> <p>Due to FAGS income being received in advance, total receipts are larger than they would be if the FAGS grant was received in the year they were applicable to.</p>
Year	Ratio %									
2016	90%									
2017	91%									
2018	99%									
<p><b>3. ASSET SUSTAINABILITY RATIO</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>33%</td> </tr> <tr> <td>2017</td> <td>47%</td> </tr> <tr> <td>2018</td> <td>155%</td> </tr> </tbody> </table>	Year	Ratio %	2016	33%	2017	47%	2018	155%	<p><b>PURPOSE OF ASSET SUSTAINABILITY RATIO</b></p> <p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>	<p><b>COMMENTARY ON 2017/18 RESULT</b></p> <p><b>2017/18 Ratio 155%</b></p> <p>Council completed the redevelopment of the airport in 2017/18, with a large part of this being the renewal of the airport runways. With the new terminal there was a large spend on infrastructure.</p>
Year	Ratio %									
2016	33%									
2017	47%									
2018	155%									

## Note 16. Uniform Presentation of Finances

\$ '000	2018	2017
<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. All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	15,081	15,845
less Expenses	(16,427)	(16,988)
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>(1,346)</b>	<b>(1,143)</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	(7,066)	(2,162)
add back Depreciation, Amortisation and Impairment	4,636	4,576
add back Proceeds from Sale of Replaced Assets	60	18
<b>SUBTOTAL</b>	<b>(2,370)</b>	<b>2,432</b>
<b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(12,004)	(7,958)
add back Amounts Received Specifically for New and Upgraded Assets	1,496	258
add back Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	70	39
<b>SUBTOTAL</b>	<b>(10,438)</b>	<b>(7,661)</b>
<b>NET LENDING / (BORROWING) FOR FINANCIAL YEAR</b>	<b>(14,154)</b>	<b>(6,372)</b>

# Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

## Note 17. Operating Leases

\$ '000	2018	2017
---------	------	------

### LEASES PROVIDING REVENUE TO THE COUNCIL

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

#### (i) INVESTMENT PROPERTY

**Leases commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:**

Not later than one year	67	61
Later than one year and not later than 5 years	114	49
Later than 5 years	10	9
	<b>191</b>	<b>119</b>

#### (ii) Lease Payment Commitments of Council

Council has entered into non-cancellable operating leases for various items of office equipment and motor vehicles.

No contingent rentals were paid during the current or previous reporting periods.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to computer and office equipment permit Council, at expiry of the lease, to elect to re-lease return or acquire the equipment leased

No lease contains any escalation clause

**Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:**

Not later than one year	130	69
Later than one year and not later than 5 years	312	195
Later than 5 years	74	115
	<b>516</b>	<b>379</b>

## 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 2017/18; 9.50% in 2016/17). 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 2016/17) 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 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

### Contributions to Other Superannuation Schemes

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

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

### 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.

	COUNCIL'S SHARE OF NET INCOME		COUNCIL'S SHARE OF NET ASSETS	
	2018	2017	2018	2017
Joint Ventures	13	7	121	108
<b>TOTAL</b>	<b>13</b>	<b>7</b>	<b>121</b>	<b>108</b>

#### (i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

##### (a) Carrying Amounts

NAME OF ENTITY	PRINCIPAL ACTIVITY	2018	2017
Fleurieu Regional Waste Authority	Waste and Recycling Management	121	108
Southern and Hills Local Government Association	Local Government Policies & Procedures	-	-
<b>TOTAL CARRYING AMOUNTS - JOINT VENTURES &amp; ASSOCIATES</b>		<b>121</b>	<b>108</b>

##### 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 2017-18 is deemed to be immaterial in amount and has not been recognised. This will be reviewed annually.

##### (b) Relevant Interests

NAME OF ENTITY	INTEREST IN OPERATING RESULT		OWNERSHIP SHARE OF EQUITY		PROPORTION OF VOTING POWER	
	2018	2017	2018	2017	2018	2017
Fleurieu Regional Waste Authority	15%	15%	15%	15%	15%	15%

##### (c) Movement in Investment in Joint Venture or Associate

	FLEURIEU REGIONAL WASTE AUTHORITY	
	2018	2017
Opening Balance	108	101
Share in Operating Result	13	7
<b>COUNCIL'S EQUITY SHARE IN THE JOINT VENTURE OR ASSOCIATE</b>	<b>121</b>	<b>108</b>



**(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:

**Operating Expenditures Payable**

	2018	2017
Not later than one year	211	487
Later that one year and not later than 5 years	197	388
Later than 5 years	-	-
	<b>408</b>	<b>875</b>

**(e). Contingent Liabilities of Joint Venture Operations**

EACH MEMBER IS JOINTLY AND SEVERALLY LIABLE FOR THE DEBTS OF THE OPERATION	2018	2017
- arising from Council's Share of Joint Operation	272	257
- arising from Joint and Several Liability of all Members	1,811	1,714

**(f). Transactions with Council**

AGGREGATE AMOUNT OF TRANSACTIONS WITH COUNCIL	2018	2017
- receipts from Council	1,483	1,402

## 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 advanced to community organisations and sporting bodies.

### 4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of appeals against planning decisions made prior to reporting date.

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2018

All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

### Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2018, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 22/11/18.

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

### 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, 12 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

	2018	2017
Short-Term Employee Benefits	528	710
Post-Employment Benefits	46	-
Supplies	70	1
<b>TOTAL</b>	<b>644</b>	<b>711</b>

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

Receipts from Key Management Personnel comprise:

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

	2018	2017
Outdoor Permits	2	4
Private works	9	-
<b>TOTAL</b>	<b>11</b>	<b>4</b>

Council received \$2,050 from one Key Management Personnel for the lease of a marina berth. The balance was private works.

### Note 24. Council Information & Contact Details

#### Principal Place of Business

43 Dauncey Street, Kingscote SA 5223

#### Contact Details

##### Mailing Address:

PO Box 121  
Kingscote SA 5223

Telephone: 08 8553 4500

Facsimile: 08 8553 2885

Internet: <http://www.kangarooisland.sa.gov.au>

Email: [kicouncil@kicouncil.sa.gov.au](mailto:kicouncil@kicouncil.sa.gov.au)

##### Opening Hours:

9am -5pm

#### Officers

##### CHIEF EXECUTIVE OFFICER

Andrew Boardman

#### Elected Members

##### MAYOR

Peter Clements

##### COUNCILLORS

Peter Denholm

Graeme Ricketts

Sharon Kauppila

Larry Turner

Ken Liu

Joy Willson

Pip Masters

#### Auditors

Deloitte Touche Tohmatsu

Level 17, 11 Waymouth Street, Adelaide SA 5000

#### Other Information

ABN:93 741 277 391