

City of Victor Harbor

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

A city that offers opportunity and lifestyle



General Purpose Financial Statementsfor the year ended 30 June 2020

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General Purpose Financial Statements
for the year ended 30 June 2020

Certification of Financial Statements

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

In our opinion:

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



Victoria Mackirdy
Chief Executive Officer

03 November 2020



Dr Moira Jenkins
Mayor

03 November 2020

City of Victor Harbor

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across South Australia are required to present a set of audited Financial Statements to their Council and Community.

About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer and Mayor as "presenting a true and fair view" of the Council's financial results for the year and ensuring both responsibility for and ownership of the Financial Statements across Council.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

The format of the Financial Statements is standard across all South Australian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the South Australia Model Financial Statements.

The Financial Statements incorporate 4 "primary" financial statements:

- 1. A Statement of Comprehensive Income**
A summary of Council's financial performance for the year, listing all income and expenses.
- 2. A Balance Sheet**
A 30 June snapshot of Council's financial position including its assets and liabilities.
- 3. A Statement of Changes in Equity**
The overall change for the year (in dollars) of Council's "net wealth".
- 4. A Statement of Cash Flows**
Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 4 Primary Financial Statements.

About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In South Australia, the Auditor provides an audit report, with an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

About the Independence Certificates

Council's Financial Statements are also required to include signed Certificates by both the Council and the Auditors that the Council's Auditor has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Local Government Association of South Australia, the SA Local Government Grants Commission, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1999* the Financial Statements must be made available at the principal office of the Council and on Council's website.

Statement of Comprehensive Income
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates	2a	23,072	21,910
Statutory Charges	2b	525	461
User Charges	2c	2,013	2,416
Grants, Subsidies and Contributions	2g	1,882	1,837
Investment Income	2d	36	93
Reimbursements	2e	860	815
Other income	2f	84	32
Net Gain - Equity Accounted Council Businesses	19(a)	33	-
Total Income		<u>28,505</u>	<u>27,564</u>
Expenses			
Employee costs	3a	10,010	9,763
Materials, Contracts and Other Expenses	3b	10,388	9,934
Depreciation, Amortisation and Impairment	3c	7,017	6,895
Finance Costs	3d	409	479
Net loss - Equity Accounted Council Businesses	19(a)	332	362
Total Expenses		<u>28,156</u>	<u>27,433</u>
Operating Surplus / (Deficit)		<u>349</u>	<u>131</u>
Physical Resources Received Free of Charge	2h	1,127	904
Asset Disposal & Fair Value Adjustments	4	(1,528)	(1,635)
Amounts Received Specifically for New or Upgraded Assets	2g	541	2,795
Net Surplus / (Deficit)		<u>489</u>	<u>2,195</u>
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	2,948	(1,521)
Total Amounts which will not be reclassified subsequently to operating result		<u>2,948</u>	<u>(1,521)</u>
Total Other Comprehensive Income		<u>2,948</u>	<u>(1,521)</u>
Total Comprehensive Income		<u>3,437</u>	<u>674</u>

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	1,816	554
Trade & Other Receivables	5b	1,331	3,061
Inventories	5c	341	333
Total current assets		3,488	3,948
Non-current assets			
Financial Assets	6a	318	324
Equity Accounted Investments in Council Businesses	6b	10,124	10,424
Other Non-Current Assets	6c	3,415	2,130
Infrastructure, Property, Plant & Equipment	7a	272,966	267,033
Total non-current assets		286,823	279,911
TOTAL ASSETS		290,311	283,859
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	5,712	2,688
Borrowings	8b	2,144	1,461
Provisions	8c	2,332	2,426
Total Current Liabilities		10,188	6,575
Non-Current Liabilities			
Borrowings	8b	5,142	5,781
Provisions	8c	489	448
Total Non-Current Liabilities		5,631	6,229
TOTAL LIABILITIES		15,819	12,804
Net Assets		274,492	271,055
EQUITY			
Accumulated surplus		67,237	67,021
Asset revaluation reserves	9a	206,377	203,429
Other reserves	9b	878	605
Total Equity		274,492	271,055

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020					
Balance at the end of previous reporting period		67,021	203,429	605	271,055
Net Surplus / (Deficit) for Year		489	-	-	489
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	2,948	-	2,948
Other comprehensive income		-	2,948	-	2,948
Total comprehensive income		489	2,948	-	3,437
Transfers between Reserves		(273)	-	273	-
Balance at the end of period		67,237	206,377	878	274,492
2019					
Balance at the end of previous reporting period		64,204	204,950	1,227	270,381
Net Surplus / (Deficit) for Year		2,195	-	-	2,195
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(1,521)	-	(1,521)
Other comprehensive income		-	(1,521)	-	(1,521)
Total comprehensive income		2,195	(1,521)	-	674
Transfers between Reserves		622	-	(622)	-
Balance at the end of period		67,021	203,429	605	271,055

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

Statement of Cash Flows
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Cash flows from operating activities			
<u>Receipts</u>			
Operating Receipts		32,134	27,220
Investment Receipts		36	93
<u>Payments</u>			
Finance Payments		(414)	(493)
Operating Payments to Suppliers and Employees		(20,068)	(20,137)
Net cash provided by (or used in) Operating Activities	11b	<u>11,688</u>	<u>6,683</u>
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		541	2,795
Sale of Replaced Assets		211	154
Repayments of Loans by Community Groups		636	161
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(4,187)	(4,105)
Expenditure on New/Upgraded Assets		(7,220)	(2,799)
Net cash provided (or used in) investing activities		<u>(10,019)</u>	<u>(3,794)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		590	–
Proceeds from Bonds & Deposits		40	–
<u>Payments</u>			
Repayments of Borrowings		(961)	(4,155)
Repayment of Finance Lease Liabilities		(76)	–
Repayment of Bonds & Deposits		–	(26)
Net Cash provided by (or used in) Financing Activities		<u>(407)</u>	<u>(4,181)</u>
Net Increase (Decrease) in Cash Held		<u>1,262</u>	<u>(1,292)</u>
plus: Cash & Cash Equivalents at beginning of period		554	1,846
Cash and cash equivalents held at end of period	11a	<u>1,816</u>	<u>554</u>

Additional Information:

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

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

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City of Victor Harbor

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

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

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

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 27 October 2020.

1.2 Historical Cost Convention

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

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

(2) The Local Government Reporting Entity

The City of Victor Harbor is incorporated under the *South Australian Local Government Act 1999* and has its principal place of business at 1 Bay Road, Victor Harbor. These consolidated 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.

The principal activities and entities conducted other than in the Council's own name that have been included in these consolidated financial statements are:

1. Victor Harbor Horse Tram Authority (100% Ownership Interest / 100% Voting Power)

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

(3) Income Recognition

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

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

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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:

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

Year	Cash Payment Received	Annual Allocation	Difference
2017/18	\$328,125	\$578,919	(\$250,794)
2018/19	\$600,773	\$604,611	(\$3,838)
2019/20	\$651,756	\$614,595	\$37,161

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 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.

(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.

Buildings - new construction/extensions	\$10,000
Roads, Drainage & Other Infrastructure	\$10,000
Plant & Machinery	\$5,000
Minor Plant & Tools	\$1,000
Reserve Furniture & Equipment	\$1,000
Office Furniture & Equipment	\$1,000

6.3 Subsequent Recognition

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

6.4 Depreciation of Non-Current Assets

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

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

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

Plant, Furniture & Equipment

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years

Building & Other Structures

Buildings & Other Structures	10 to 100 years
Park Furniture	20 to 40 years
Walkways & Trails	15 to 30 years
Playground equipment	5 to 15 years
Plant & Machinery	2 to 20 years
ICT Equipment	2 to 10 years
Office Furniture	5 to 10 years

Infrastructure

Sealed Roads	16 to 60 years
Unsealed Roads	10 to 15 years
Bridges – Concrete	80 to 100 years
Traffic Devices	20 to 45 years
Stormwater Drainage	80 to 100 years
Footpaths	30 to 50 years
Kerbing	60 to 70 years

Other Assets

Library Books	10 to 15 years
Artworks	indefinite

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(7) Payables**7.1 Goods & Services**

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

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

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

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

(9) Employee Benefits**9.1 Salaries, Wages & Compensated Absences**

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

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

Weighted avg. discount rate 2019/20 = 0.34% (2018/19, 0.71%)

Weighted avg. settlement period 2019/20 = 5 years (2018/19, 5 years)

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

9.2 Superannuation

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(10) 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.

10.1 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:

Property - 2 to 16 years

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

ii) Lease Liabilities

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

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

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

(11) 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.

(12) GST Implications

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(13) 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.

City of Victor Harbor has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

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

The Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019.

The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

Council has elected to apply AASB 15 and AASB 1058 retrospectively only to contracts and transactions that were not completed contracts at the date of initial application. Council did not have any transaction or contract that were not completed contracts at the date of initial application. As a result, no adjustments were made to the opening balance of Accumulated Surplus.

The Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to the Council to construct or acquire an asset to be controlled by the Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability "Amounts in Advance" and recorded in revenue as the asset is constructed. The impact of adopting the new standards as at 1 July 2019 was an increase to liabilities of \$2,463,000 and a decrease to Accumulated Surplus of \$2,463,000.

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

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

Description	Amounts prepared under AASB 15 / 1058 \$'000	Amounts prepared under Previous AASB \$'000	Impact \$'000
Amounts Received Specifically for New or Upgraded Assets	\$541	\$3,004	-\$2,463
Payments Received in Advance	\$2,463	\$0	\$2,463

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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:

	\$'000
Assets	
Infrastructure, Property, Plant and Equip.	
- Right-of-Use-Assets	\$491
Total Assets	\$491
Liabilities	
Interest-bearing loans and borrowings	\$491
- Other	
Total Liabilities	\$491
Accumulated Surplus	\$0

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

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

- AASB 17 Insurance Contracts

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(14) Disclaimer

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

(15) COVID-19 pandemic

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 these financial statements and/or notes.

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

Examples include:

- Reduce revenue from events and venue hire
- Business support in the form of temporary suspension of:
 - Fines
 - Penalties
 - Interest
 - Rent
 - License Fees
 - Debt recovery actions
- Additional costs for
 - Cleaning
 - Health and Safety initiatives
 - Hibernation costs fo Council Venues

COVID-19 is not expected to have a significant ongoing financial impact on Council.

The impact in 2019/20 on income is an actual decrease of \$27,000 as a result of remissions of rate fines. In addition, council experienced a significant reduction in User Charges relating to Tourism, Community Transport and Venue Hire. It is difficult to precisely quantify this total, however best estimates are in the order of \$200,000-300,000.

The impact in 2019-20 on expenditure was a quantified amount of \$68,000 in additional costs for materials and expenses related to COVID-19.

The best estimate for the net effect of the COVID-19 pandemic on Council's 2019-20 Operating Surplus is a reduction of \$300,000 - 400,000.

It is further expected that further financial impacts will flow into the 2020/21 financial year. However, Council had determined that there is no material uncertainty that casts doubt on its ability to continue as a going concern.

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

Note 2. Income

\$ '000	2020	2019
(a) Rates		
General Rates		
General Rates	22,913	21,665
Less: Mandatory Rebates	(243)	(213)
Less: Discretionary Rebates, Remissions & Write Offs	(39)	(23)
Total General Rates	22,631	21,429
Other Rates (Including Service Charges)		
Natural Resource Management Levy	401	402
Total Other Rates (Including Service Charges)	401	402
Other Charges		
Penalties for Late Payment	35	59
Legal & Other Costs Recovered	5	20
Total Other Charges	40	79
Total Rates	23,072	21,910
(b) Statutory Charges		
Development Act & Town Planning Fees	232	205
Health & Septic Tank Inspection Fees	14	13
Animal Registration Fees & Fines	143	109
Parking Fines / Expiation Fees	84	78
Search Fees	45	49
Other Statutory Charges	7	7
Total Statutory Charges	525	461
(c) User Charges		
Cemetery/Crematoria Fees	154	123
Parking Fees	101	112
Caravan Park	248	192
Community Transport	105	161
Horse Drawn Tram	–	305
Recreation Centre	51	72
Whale Centre	134	185
Tourism Marketing & Sales	595	755
Other Leases, Hire & Rentals	194	255
Other User Charges	37	97
Horse Drawn Tram (Note 19)	394	159
Total User Charges	2,013	2,416

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

Note 2. Income (continued)

\$ '000	2020	2019
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	22	33
- Banks & Other	6	5
- Loans to Community Groups	8	55
<u>Total Investment Income</u>	<u>36</u>	<u>93</u>

(e) Reimbursements

Private Works	6	6
Council Contributions	531	503
Employee Reimbursements	8	12
Utilities, Insurance and Cleaning	66	70
Other Reimbursements	249	224
<u>Total Reimbursements</u>	<u>860</u>	<u>815</u>

(f) Other income

Donations and Contributions	24	14
Horse Drawn Tram (Note 19)	1	1
Other Income	59	17
<u>Total Other income</u>	<u>84</u>	<u>32</u>

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	541	2,795
<u>Total Amounts Received Specifically for New or Upgraded Assets</u>	<u>541</u>	<u>2,795</u>
Untied - Financial Assistance Grants	290	403
Roads to Recovery	274	188
Other Grants, Subsidies and Contributions	957	922
Individually Significant Item - Additional Grants Commission Payment (refer below)	361	324
<u>Total Other Grants, Subsidies and Contributions</u>	<u>1,882</u>	<u>1,837</u>
<u>Total Grants, Subsidies, Contributions</u>	<u>2,423</u>	<u>4,632</u>

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

(i) Sources of grants

Commonwealth Government	1,543	2,245
State Government	790	2,349
Other	90	38
<u>Total</u>	<u>2,423</u>	<u>4,632</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
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(ii) Individually Significant Items

Grant Commission (FAG) Grant Recognised as Income	361	324
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The above amount was a prepayment of part of Council's 2020/21 Grant Commission (FAG) Grant.

(h) Physical Resources Received Free of Charge

Roads, Bridges & Footpaths	666	433
Stormwater Drainage	317	356
Kerbing	121	115
Open Space	23	-
Total Physical Resources Received Free of Charge	1,127	904

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

Note 3. Expenses

\$ '000	Notes	2020	2019
(a) Employee costs			
Salaries and Wages		8,059	7,737
Employee Leave Expense		1,103	1,134
Superannuation - Defined Contribution Plan Contributions	18	712	670
Superannuation - Defined Benefit Plan Contributions	18	134	133
Workers' Compensation Insurance		238	268
Other		181	143
Less: Capitalised and Distributed Costs		(417)	(322)
Total Operating Employee Costs		10,010	9,763
Total Number of Employees (full time equivalent at end of reporting period)		104	101
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		17	17
Elected Members' Expenses		203	200
Election Expenses		5	84
Operating Lease Rentals - Non-Cancellable Leases	17		
- Minimum Lease Payments		119	178
Subtotal - Prescribed Expenses		344	479
(ii) Other Materials, Contracts and Expenses			
Contractors		1,527	1,641
Legal Expenses		144	104
Levies Paid to Government - NRM levy		402	402
Levies - Other		30	23
Professional Services		413	402
Sundry		1,123	1,159
Materials		708	894
Energy, Fuel and Water		1,096	710
Insurances		472	512
Waste and Cleaning Services		2,042	1,741
Information and Communications		750	728
Donations and Contributions		194	293
Regional Board Contributions		359	414
Horse Drawn Tram (Note 19)		784	432
Subtotal - Other Material, Contracts & Expenses		10,044	9,455
Total Materials, Contracts and Other Expenses		10,388	9,934

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	2020	2019
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Buildings & Other Structures	970	972
Infrastructure		
- Sealed Roads	2,246	2,207
- Unsealed Roads	467	470
- Stormwater Drainage	508	502
- Kerbing	306	299
- Footpaths	303	284
- Bridges	301	301
- Open Space	636	604
- Carparks & Traffic	224	237
- Other Infrastructure	119	116
Right-of-use Assets	86	-
Plant & Equipment	608	662
Furniture & Fittings	88	87
Library Books	155	154
Subtotal	7,017	6,895
Total Depreciation, Amortisation and Impairment	7,017	6,895

(d) Finance Costs

Interest on Loans	394	479
Charges on Finance Leases	15	-
Total Finance Costs	409	479

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2020	2019
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	211	154
Less: Carrying Amount of Assets Sold	(1,739)	(1,789)
Gain (Loss) on Disposal	(1,528)	(1,635)
Net Gain (Loss) on Disposal or Revaluation of Assets	(1,528)	(1,635)

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

Note 5. Current Assets

\$ '000	2020	2019
(a) Cash & Cash Equivalent Assets		
Cash on Hand at Bank	687	(85)
Deposits at Call	1,129	639
<u>Total Cash & Cash Equivalent Assets</u>	<u>1,816</u>	<u>554</u>
(b) Trade & Other Receivables		
Rates - General & Other	635	658
Council Rates Postponement Scheme	137	99
Accrued Revenues	30	192
Debtors - General	279	59
Other Levels of Government	15	1,153
GST Recoupment	35	16
Prepayments	118	172
Loans to Community Organisations	82	712
Subtotal	<u>1,331</u>	<u>3,061</u>
<u>Total Trade & Other Receivables</u>	<u>1,331</u>	<u>3,061</u>
(c) Inventories		
Stores & Materials	298	292
Trading Stock	43	41
<u>Total Inventories</u>	<u>341</u>	<u>333</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Non-Current Assets

\$ '000	2020	2019
(a) Financial Assets		
Receivables		
Loans to Community Organisations	318	324
Subtotal	318	324
Total Receivables	318	324
Total Financial Assets	318	324

\$ '000	Notes	2020	2019
(b) Equity Accounted Investments in Council Businesses			
Fleurieu Regional Aquatic Centre Authority	19(a)i	9,818	10,150
Fleurieu Regional Waste Authority	19(a)i	306	274
Total Equity Accounted Investments in Council Businesses		10,124	10,424

(c) Other Non-Current Assets

Other			
Capital Works-in-Progress		3,415	2,130
Total Other		3,415	2,130
Total Other Non-Current Assets		3,415	2,130

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

Note 7. Infrastructure, Property, Plant & Equipment

(a) Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/06/19				Asset movements during the reporting period						as at 30/06/20			
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Land - Community	3	33,722	145	–	33,867	–	1,236	–	–	–	1,121	34,843	1,381	–	36,224
Land - Other	2	13,798	–	–	13,798	–	–	–	–	–	1,220	15,018	–	–	15,018
Buildings & Other Structures	3	41,691	485	(19,089)	23,087	–	984	172	(318)	(970)	(373)	40,998	1,640	(20,057)	22,581
Buildings & Other Structures	2	491	32	(51)	472	–	–	–	–	–	–	491	32	(51)	472
Infrastructure															
- Sealed Roads	3	95,238	2,034	(25,167)	72,105	–	254	1,334	(429)	(2,246)	–	94,906	3,375	(27,262)	71,019
- Unsealed Roads	3	8,627	138	(3,393)	5,372	–	–	173	(154)	(467)	–	8,301	312	(3,687)	4,926
- Stormwater Drainage	3	53,842	2,910	(14,405)	42,347	–	1,525	4	(113)	(508)	33	53,986	4,121	(14,820)	43,287
- Kerbing	3	23,855	643	(7,509)	16,989	–	247	110	(60)	(306)	–	23,889	881	(7,788)	16,982
- Footpaths	3	11,286	705	(3,660)	8,331	–	639	412	(144)	(303)	(16)	11,508	1,339	(3,929)	8,918
- Bridges	3	26,348	–	(4,404)	21,944	–	–	–	–	(301)	435	26,878	–	(4,800)	22,078
- Open Space	3	15,478	741	(4,476)	11,743	–	577	153	(211)	(636)	450	15,657	1,447	(5,028)	12,076
- Carparks & Traffic	3	9,610	–	(2,578)	7,032	–	1,600	144	(62)	(224)	–	9,481	1,743	(2,736)	8,488
- Other Infrastructure	3	–	4,828	(1,439)	3,389	–	–	786	–	(119)	–	–	5,614	(1,557)	4,057
Right-of-Use Assets		–	–	–	–	491	–	–	–	(86)	–	491	–	(86)	405
Plant & Equipment		–	9,495	(4,587)	4,908	–	–	797	(248)	(608)	(11)	–	9,799	(4,962)	4,837
Furniture & Fittings		–	2,133	(1,282)	851	–	–	19	–	(88)	(12)	–	2,138	(1,368)	770
Library Books		–	1,103	(601)	502	–	–	84	–	(155)	43	–	1,097	(623)	474
Artworks	3	287	9	–	296	–	–	–	–	–	58	354	–	–	354
Total Infrastructure, Property, Plant & Equipment		334,273	25,401	(92,641)	267,033	491	7,062	4,188	(1,739)	(7,017)	2,948	336,801	34,919	(98,754)	272,966
Comparatives		337,866	20,805	(87,755)	270,916	–	2,790	3,532	(1,789)	(6,895)	(1,521)	334,273	25,401	(92,641)	267,033

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

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

Fair value hierarchy level 3 valuations of land - 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.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

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

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

Transfers between fair value hierarchy levels

In the course of revaluing (name the asset classes), the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Highest and best use

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

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

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1991. Other types of restrictions also exist.

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

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

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. Other adjustments for found or re-measured assets not included below have been processed against the revelation reserve as shown in Note 7 and do not represent a formal revaluation of these asset classes.

Capitalisation Thresholds

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Buildings	\$10,000
Roads, Drainage and other infrastructure	\$10,000
Plant and Machinery	\$5,000
Reserve Furniture and Equipment	\$1,000
Office Furniture and Equipment	\$1,000
Minor Plant and Loose Tools	\$1,000

Estimated Useful Lives

Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of a greater or lesser amount:

Buildings and Other Structures	10 to 100 years
Sealed Roads	16 to 60 years
Unsealed Roads	10 to 15 years
Kerbing	60 to 70 years
Footpaths	30 to 50 years
Bridges	80 to 100 years
Traffic Devices	20 to 45 years
Stormwater Drainage	80 to 100 years
Open Space Furniture and Playgrounds	15 to 50 years
Plant and Machinery	2 to 20 years
Office Furniture and Library	2 to 10 years
Artworks	indefinite

Land & Land Improvements

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2016.

Notes to the Financial Statements

for the year ended 30 June 2020

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

- Valuer: Maloney Field Services

The next scheduled revaluation of these assets is to be undertaken in 2020/21.

Buildings

- Basis of valuation: Fair Value / Market Value
- Date of valuation: 30 June 2016.
- Valuer: Maloney Field Services

The next scheduled revaluation of these assets is to be undertaken in 2020/21.

Infrastructure

Car Parks and Traffic Devices

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2019.
- Valuer: City of Victor Harbor and verified by Assetic Pty Ltd

The next scheduled revaluation of these assets is to be undertaken in 2020/21.

Open Space

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018.
- Valuer: City of Victor Harbor and verified by Assetic Pty Ltd

The next schedule revaluation of these assets is to be undertaken in 2020/21

Roads, Kerbs and Footpaths

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018. Include when Valuation was received and adopted if different to valuation date
- Valuer: City of Victor Harbor and verified by Assetic Pty Ltd

The next scheduled revaluation of these assets is to be undertaken in 2021/22.

Bridges

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2020.
- Valuer: City of Victor Harbor

The next scheduled revaluation of these assets is to be undertaken in 2021/22.

Plant & Equipment

These assets are recognised at cost.

Furniture & Fittings

Artworks

- Basis of valuation: Fair Value
- Date of Valuation: 1 July 2019
- Valuer: Theodore Bruce Auctions

The next scheduled revaluation of these assets is to be undertaken in 2024/25

Library

Library books and other lending materials are capitalised in bulk and written out when fully depreciated. Values for books and lending materials is in line with Public Library Services standard costs.

All other assets are recognised at cost.

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

Note 8. Liabilities

\$ '000	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a) Trade and Other Payables				
Goods & Services	3,000	–	2,044	–
Payments Received in Advance	2,463	–	179	–
Accrued Expenses - Employee Entitlements	83	–	286	–
Accrued Expenses - Finance Costs	79	–	84	–
Accrued Expenses - Other	42	–	90	–
Deposits, Retentions & Bonds	45	–	5	–
<u>TOTAL Trade and Other Payables</u>	<u>5,712</u>	<u>–</u>	<u>2,688</u>	<u>–</u>

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(b) Borrowings					
Loans		2,063	4,808	1,461	5,781
Lease Liabilities	17	81	334	–	–
<u>TOTAL Borrowings</u>		<u>2,144</u>	<u>5,142</u>	<u>1,461</u>	<u>5,781</u>

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

(c) Provisions

Long Service Leave	1,097	119	1,014	62
Annual Leave	1,213	–	1,061	–
Landfill Depot Remediation Liability	22	370	351	386
<u>TOTAL Provisions</u>	<u>2,332</u>	<u>489</u>	<u>2,426</u>	<u>448</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves

\$ '000	as at 30/06/19		Transfers	Impairments	as at 30/06/20	
	Opening Balance	Increments (Decrements)			Closing Balance	
(a) Asset Revaluation Reserve						
Land - Community	33,399	1,121	-	-		34,520
Land - Other	-	1,220	-	-		1,220
Buildings & Other Structures Infrastructure	18,319	(373)	-	-		17,946
- Unsealed Roads	72,110	-	-	-		72,110
- Stormwater Drainage	28,856	33	-	-		28,889
- Kerbing	8,436	-	-	-		8,436
- Footpaths	6,108	(16)	-	-		6,092
- Bridges	19,160	435	-	-		19,595
- Open Space	9,597	450	-	-		10,047
- Carparks & Traffic	4,623	-	-	-		4,623
- Other Infrastructure	1,536	-	-	-		1,536
Plant & Equipment	(10)	(11)	-	-		(21)
Furniture & Fittings	-	(12)	-	-		(12)
Library Books	1,176	43	-	-		1,219
Artworks	119	58	-	-		177
Total Asset Revaluation Reserve	203,429	2,948	-	-		206,377
Comparatives	204,950	(1,521)	-	-		203,429

\$ '000	as at 30/06/19		Tfrs to Reserve	Tfrs from Reserve	Other Movements	as at 30/06/20	
	Opening Balance					Closing Balance	
(b) Other Reserves							
Car Park Development	2	-	-	-			2
Developers Contributions	304	2	(29)	-			277
Economic Development	38	429	(44)	-			423
Open Space	196	1	(56)	-			141
Renewable Energy	65	-	(30)	-			35
Total Other Reserves	605	432	(159)	-			878
Comparatives	1,227	72	(694)	-			605

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves (continued)

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Car Park Development

Developer Contributions are used for planning, design and construction of car parking facilities within the prescribed area.

Developers Contributions

Developer contributions are use for the construction of footpaths, drainage and other infrastructure.

Economic Development

From commercial/industrial rates and used for economic development initiatives including tourism.

Renewable Energy

Contributions from solar programs participants and contractors and used for renewable energy initiatives.

Open Space

Monies held from creation of sub-divisions to be utilised for future open space projects.

Note 10. Assets Subject to Restrictions

Council does not hold any assets subject to restrictions

Notes to 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	1,816	554
Balances per Statement of Cash Flows		1,816	554

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

Net Surplus/(Deficit)		489	2,195
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		7,017	6,895
Equity Movements in Equity Accounted Investments (Increase)/Decrease		299	362
Non-Cash Asset Acquisitions		(1,127)	(904)
Grants for capital acquisitions treated as Investing Activity		(541)	(2,795)
Net (Gain) Loss on Disposals		1,528	1,635
		7,665	7,388
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		1,100	(1,198)
Net (Increase)/Decrease in Inventories		(8)	1
Net Increase/(Decrease) in Trade & Other Payables		2,984	317
Net Increase/(Decrease) in Other Provisions		(53)	175
Net Cash provided by (or used in) operations		11,688	6,683

\$ '000	Notes	2020	2019
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(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical Resources Received Free of Charge	2h	1,127	904
Amounts recognised in Income Statement		1,127	904
Total Non-Cash Financing and Investing Activities		1,127	904

(d) Financing Arrangements

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

Corporate Credit Cards	31	20
LGFA Cash Advance Debenture Facility	10,255	12,500

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

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

Note 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	1,152	856	1,552	1,329	(400)	(473)	–	–	11,568	344
Community Services	1,721	1,582	2,337	2,795	(616)	(1,213)	785	783	1,775	3,489
Culture	192	176	1,401	1,328	(1,209)	(1,152)	127	128	828	1,063
Economic Development	635	889	1,568	1,687	(933)	(798)	–	–	131	131
Environment	25	18	4,725	4,485	(4,700)	(4,467)	–	–	43,288	46,347
Recreation	162	309	2,317	3,147	(2,155)	(2,838)	25	–	18,458	13,706
Regulatory Services	481	413	1,738	1,914	(1,257)	(1,501)	–	–	26	26
Transport & Communication	282	205	4,361	4,728	(4,079)	(4,523)	273	188	132,410	124,298
Plant Hire & Depot/Indirect	8	3	1,946	1,088	(1,938)	(1,085)	–	–	3,823	2,685
Unclassified Activities	184	78	1,340	479	(1,156)	(401)	–	–	63,583	72,120
Council Administration	322	410	5,240	4,453	(4,918)	(4,043)	20	11	14,421	19,650
Revenue	23,710	22,625	–	–	23,710	22,625	652	727	–	–
Total Functions/Activities	28,874	27,564	28,525	27,433	349	131	1,882	1,837	290,311	283,859

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 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

Caravan Parks, Private Works, Horse drawn tram and Whale Centre.

COMMUNITY SERVICES

Crime Prevention, Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Health Services, Community Support, Senior Citizens Facilities, Youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support, Cemeteries, Public Conveniences, Car Parking and Star Club.

CULTURE

Library Services, Town Hall and Other Cultural Services.

ECONOMIC DEVELOPMENT

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

ENVIRONMENT

Waste Services, Coastal Protection, Environment Projects, Stormwater Drainage, Natural Resource Management, Street Cleaning, Street Lighting and Street Scaping.

RECREATION

Parks and Gardens, Indoor and Outdoor.

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, Community Bus Service, Footpaths and Kerbing, Roads – sealed and unsealed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

PLANT HIRE & DEPOT

Plant and Machinery, Depot and Indirect Works.

UNCLASSIFIED ACTIVITIES

Other Property, Loans and Interest.

COUNCIL ADMINISTRATION

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

REVENUE

General Rates, Separate Rates, LG Grants Commission.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments**Bank, Deposits at Call, Short Term Deposits****Accounting Policy:**

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

Terms & Conditions:

Deposits are returning fixed interest rates between 0.45% and 1.25% (2019: 1.5%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges**Accounting Policy:**

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.2% (2019: 6.6%). 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:**

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government**Accounting Policy:**

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals**Accounting Policy:**

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings**Accounting Policy:**

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable half yearly for fixed rate loans and periodically within the term for variable (Cash Advance Debenture) borrowing; interest is charged at fixed (or variable) rates between 4.40% and 6.75% (2019: **4.15%** and **6.90%**).

Carrying Amount:

Approximates fair value.

Liabilities - Leases**Accounting Policy:**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2020					
Financial Assets					
Cash & Equivalents	1,816	–	–	1,816	1,816
Receivables	1,225	–	–	1,225	1,213
Other Financial Assets	–	208	195	403	318
Total Financial Assets	3,041	208	195	3,444	3,347
Financial Liabilities					
Payables	3,249	–	–	3,249	3,249
Current Borrowings	2,372	–	–	2,372	2,063
Non-Current Borrowings	–	3,742	1,699	5,441	4,808
Leases	93	165	240	498	415
Total Financial Liabilities	5,714	3,907	1,939	11,560	10,535
2019					
Cash & Equivalents	554	–	–	554	554
Receivables	2,945	–	–	2,945	2,889
Other Financial Assets	–	214	198	412	324
Total Financial Assets	3,499	214	198	3,911	3,767
Financial Liabilities					
Payables	2,509	–	–	2,509	2,509
Current Borrowings	1,825	–	–	1,825	1,461
Non-Current Borrowings	–	4,772	1,951	6,723	5,781
Total Financial Liabilities	4,334	4,772	1,951	11,057	9,751

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

\$ '000	2020		2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Fixed Interest Rates	5.58%	7,286	5.79%	7,242
		<u>7,286</u>		<u>7,242</u>

Net Fair Value

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Risk Exposures

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

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

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

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

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2020	2019
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	57	30
Employee Remuneration Contracts	3,698	2,216
Street Sweeping	–	28
Asset Maintenance	232	453
Security Services	127	86
Other	68	22
	4,182	2,835
These expenditures are payable:		
Not later than one year	1,499	1,422
Later than one year and not later than 5 years	2,557	1,413
Later than 5 years	126	–
	4,182	2,835

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators

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

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

1. Operating Surplus Ratio

Operating Surplus	349			
Total Operating Income	28,505	1.2%	0.5%	1.0%

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	12,354			
Total Operating Income	28,505	43%	32%	47%

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.

Adjusted Operating Surplus Ratio

Operating Surplus	312			
Total Operating Income	28,468	1.1%	(0.7)%	(0.7)%

Adjusted Net Financial Liabilities Ratio

Net Financial Liabilities	12,317			
Total Operating Income	28,468	43%	33%	47%

3. Asset Renewal Funding Ratio

Net Asset Renewals	4,187			
Infrastructure & Asset Management Plan required expenditure	4,296	97%	77%	88%

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 the Financial Statements

for the year ended 30 June 2020

Note 16. Uniform Presentation of Finances

\$ '000	2020	2019
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	28,505	27,564
less Expenses	(28,156)	(27,433)
Operating Surplus / (Deficit)	349	131
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(4,187)	(4,105)
add back Depreciation, Amortisation and Impairment	7,017	6,895
add back Proceeds from Sale of Replaced Assets	211	154
	3,041	2,944
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(7,220)	(2,799)
add back Amounts Received Specifically for New and Upgraded Assets	541	2,795
	(6,679)	(4)
Net Lending / (Borrowing) for Financial Year	(3,289)	3,071

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases

(i) Council as a lessee

Terms and conditions of leases

Asset Class here

Council has recognised the following two (2) Right of Use leases as at 1 July 1019:

The portion of the Victor Harbor Foreshore Reserve known as the Visitor Information Centre. Council holds a lease over this property until 28 July 2022, with fixed monthly repayments subject to annual review; and

The portion of land known as the Civic Centre carpark, which provides a first ten (10) year right of renewal through to 30 September 2026, and a further second right of renewal commencing 1 October 2026 expiry 30 September 2036. Annual rent is payable in monthly instalments, with an annual CPI increment. Council has valued this Right of Use Asset on the basis that the second right of renewal will be taken up.

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

Right of use assets

\$ '000	Ready to use	Total
2020		
Adoption of AASB 16 at 1 July 2019	491	491
Transfer from leased assets (former finance leases)	–	–
Depreciation charge	(86)	(86)
Balance at 30 June 2020	405	405

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	491	–
Accretion of interest	15	–
Payments	(92)	–
Balance at 30 June	414	–

Classified as:

Current	80	–
Non Current	334	–

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

The Group had total cash outflows for leases of \$92,050.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	86	–
Interest expense on lease liabilities	15	–
Total amount recognised in profit or loss	101	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Leases (continued)

(ii) Council as a lessor

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

\$ '000	2020	2019
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	365	355
Later than one year and not later than 5 years	1,384	1,386
Later than 5 years	3,936	4,275
	5,685	6,016

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Superannuation

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

Accumulation only Members

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

Salarylink (Defined Benefit Fund) Members

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

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

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

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

Contributions to Other Superannuation Schemes

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

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

Note 19(a). 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	(299)	(362)	10,124	10,424
Total Council's Share of Net Income	(299)	(362)	10,124	10,424

(i) Joint Ventures, Associates and Joint Operations

(a) Carrying Amounts

\$ '000	Principal Activity	2020	2019
Fleurieu Regional Aquatic Centre Authority	Aquatic Centre	9,818	10,150
Fleurieu Regional Waste Authority	Waste Management	306	274
Total Carrying Amounts - Joint Ventures & Associates		10,124	10,424

Fleurieu Regional Aquatic Centre Authority

A joint initiative between the City of Victor Harbor and Alexandrina Council, the Fleurieu Regional Aquatic Centre is owned by the Fleurieu Regional Aquatic Authority. The City of Victor Harbor and Alexandrina Council are joint owners of the FRAA owing 50% each.

Fleurieu Regional Waste Authority

Established by the City of Victor Harbor, Alexandrina Council, District Council of Yankalilla and Kangaroo Island Council in July 2010, this organisation is responsible for the waste management function across the Fleurieu and Kangaroo Island Council areas.

(b) Relevant Interests

\$ '000	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2020	2019	2020	2019	2020	2019
Fleurieu Regional Aquatic Centre Authority	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Fleurieu Regional Waste Authority	35.00%	35.00%	35.00%	35.00%	25.00%	25.00%

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Fleurieu Regional Aquatic Centre Authority		Fleurieu Regional Waste Authority	
	2020	2019	2020	2019
Opening Balance	10,150	10,503	273	283
Share in Operating Result	(332)	(353)	33	(9)
Council's Equity Share in the Joint Venture or Associate	9,818	10,150	306	274

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19(a). Interests in Other Entities (continued)

(d) Summarised Financial Information of the Equity Accounted Business

\$ '000	Fleurieu Regional Aquatic Centre Authority		Fleurieu Regional Waste Authority	
	2020	2019	2020	2019
Statement of Financial Position				
Cash and Cash Equivalents	837	917	1,983	474
Other Current Assets	16	132	587	544
Non-Current Assets	18,917	19,563	4,155	3,642
Total Assets	19,770	20,612	6,725	4,660
Current Trade and Other Payables	132	312	2,279	1,156
Current Financial Liabilities	–	–	461	335
Current Provisions	2	–	228	182
Non-Current Trade and Other Payables	–	–	333	125
Non-Current Financial Liabilities	–	–	2,459	2,016
Non-Current Provisions	–	–	89	65
Total Liabilities	134	312	5,849	3,879
Net Assets	19,636	20,300	876	781
Statement of Comprehensive Income				
Other Income	2,468	2,421	9,345	8,180
Total Income	2,468	2,421	9,345	8,180
Employee Costs	43	–	3,115	3,018
Materials, Contracts & Other Expenses	2,445	2,492	5,357	4,540
Depreciation, Amortisation and Impairment	686	678	706	543
Finance Costs	–	–	115	85
Total Expenses	3,174	3,170	9,293	8,186
Other Revenue / Expense Items	42	42	41	(21)
Operating Result	(664)	(707)	93	(27)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19(b). Controlled Entities

Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity and Place of Business
Victor Harbor Horse Tram Authority	Tourism Services, Victor Harbor Causeway

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting Rights 2020	Voting Rights 2019
Council's Interest in Subsidiary	100%	100%	100%	100%
Non-Controlling Interest in Subsidiary	0%	0%	0%	0%
Total Interests in Subsidiary	100	100	100	100

The nature and extent of significant restrictions relating to the Subsidiary

The Victor Harbor Horse Tram Authority is a subsidiary of the City of Victor Harbor established under section 42 of the *Local Government Act 1999* to oversee the operations, business development and marketing of Victor Harbor's iconic Horse Tram service.

The Authority is subject to the direction and control of the City of Victor Harbor.

The Horse Tram Authority has 5 members - one elected member and four independent members. The independent members are appointed by the City of Victor Harbor.

The City of Victor Harbor is partially funding the Authority covering any deficit that the Authority makes.

A Board has been established to ensure that all plans, targets, structures, systems and practices required or applied to the Authority by the City of Victor Harbor are in place.

The nature of risks associated with Council's interests in the Subsidiary

All property held by the Authority is accounted for by the City of Victor Harbor. Written Down Value of Non-Current Assets of \$789,450 as at 30 June 2020.

The Annual Budget of the Authority is approved by the City of Victor Harbor.

Council intends to continue to partially fund the Authority with a service level and lease agreement under development as at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19(b). Controlled Entities (continued)

Summarised Financial Information for the Subsidiary

Summarised Financial Information for the Subsidiary

\$ '000	2020	2019
Summarised Statement of Comprehensive Income		
Revenue	787	434
Expenses	(784)	(432)
Profit for the Period	3	2
Total Comprehensive Income	3	2
Summarised Statement of Financial Position		
Current Assets	125	7
Total Assets	125	7
Current Liabilities	120	5
Total Liabilities	120	5
Net Assets	5	2
Summarised Statement of Cash Flows		
Cash Flows from Operating Activities	63	7
Net increase (decrease) in Cash and Cash Equivalents	63	7
Transactions with Council		
Aggregate amount of transactions with Council		
- payments to Council	3	2

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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 384.5 km of road reserves of average width 6.5 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 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 one 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.

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

Notes to 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 2019-20, Council paid member allowances to 10 Councillors. In 2018-19, there was a Council election and as a result payments were made to 15 Councillors, which included 5 outgoing Councillors.

In 2019-20 there were 10 employees classified as Key Management Personnel (2018-19 = 7 employees).

In all, 20 persons were paid the following total compensation:

\$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Salaries, allowances & other short term benefits - Employees	1,303	697
Salaries, allowances & other short term benefits - Elected Members	196	210
Total	1,499	907

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

One KMP has a relationship with Oops Security Pty Ltd. Council paid this entity \$7,019 in 2019/20 (\$1,621 in 2018/19).



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INDEPENDENT AUDITOR'S REPORT

To the members of City of Victor Harbor

Opinion

We have audited the accompanying financial report of City of Victor Harbor (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 City of Victor Harbor.

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 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

9 November 2020

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaee Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS

To the members of City of Victor Harbor

Opinion

We have audited the compliance of City of Victor Harbor (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, City of Victor Harbor 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 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 for which it was prepared

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

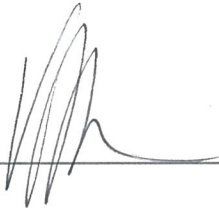
9 November 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Victor Harbor 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*.



Victoria MacKirdy
Chief Executive Officer



Cr Tim Glazbrook
Presiding Member, Audit Committee

Date: 03 November 2020

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Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
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CITY OF VICTOR HARBOR

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 City of Victor Harbor 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

A handwritten signature in blue ink, appearing to read 'Tim Muhlhausler'.

Tim Muhlhausler CA, Registered Company Auditor

Partner

9 November 2020