

Town of Gawler

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Town of Gawler

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.



Henry Inat
Chief Executive Officer

24 November 2020



Karen Redman
Mayor

24 November 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates	2a	23,450	22,467
Statutory Charges	2b	745	663
User Charges	2c	1,388	1,681
Grants, Subsidies and Contributions	2g	3,688	3,645
Investment Income	2d	29	32
Reimbursements	2e	362	389
Other income	2f	531	90
Total Income		30,193	28,967
Expenses			
Employee costs	3a	10,960	10,692
Materials, Contracts and Other Expenses	3b	12,670	11,589
Depreciation, Amortisation and Impairment	3c	5,901	5,582
Finance Costs	3d	741	881
Net loss - Equity Accounted Council Businesses	19(a)	176	46
Total Expenses		30,448	28,790
Operating Surplus / (Deficit)		(255)	177
Physical Resources Received Free of Charge	2h	4,020	4,349
Asset Disposal & Fair Value Adjustments	4	(311)	(2,099)
Amounts Received Specifically for New or Upgraded Assets	2g	2,025	3,956
Net Surplus / (Deficit)		5,479	6,383
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	4,369	3,830
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	150	1,008
Other Equity Adjustments - Equity Accounted Council Businesses		17	(5)
Total Amounts which will not be reclassified subsequently to operating result		4,536	4,833
Total Other Comprehensive Income		4,536	4,833
Total Comprehensive Income		10,015	11,216

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	254	113
Trade & Other Receivables	5b	1,914	3,299
Inventories	5c	23	24
Total current assets		2,191	3,436
Non-current assets			
Financial Assets	6a	183	193
Equity Accounted Investments in Council Businesses	6b	4,520	4,529
Work in Progress		8,504	6,647
Infrastructure, Property, Plant & Equipment	7a	267,737	259,714
Total non-current assets		280,944	271,083
TOTAL ASSETS		283,135	274,519
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	4,662	4,767
Borrowings	8b	1,046	909
Provisions	8c	2,911	2,856
Total Current Liabilities		8,619	8,532
Non-Current Liabilities			
Borrowings	8b	17,786	19,335
Provisions	8c	212	149
Total Non-Current Liabilities		17,998	19,484
TOTAL LIABILITIES		26,617	28,016
Net Assets		256,518	246,503
EQUITY			
Accumulated surplus		70,751	65,202
Asset revaluation reserves	9a	183,630	179,261
Other reserves	9b	2,137	2,040
Total Equity		256,518	246,503

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		65,202	179,261	2,040	246,503
Net Surplus / (Deficit) for Year		5,479	—	—	5,479
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	4,369	—	4,369
- Share of OCI - Equity Accounted Council Businesses	19	150	—	—	150
- Other Equity Adjustments - Equity Accounted Council Businesses	19	17	—	—	17
Other comprehensive income		167	4,369	—	4,536
Total comprehensive income		5,646	4,369	—	10,015
Transfers between Reserves		(97)	—	97	—
Balance at the end of period		70,751	183,630	2,137	256,518
2019					
Balance at the end of previous reporting period		59,051	174,423	1,813	235,287
Net Surplus / (Deficit) for Year		6,383	—	—	6,383
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	3,830	—	3,830
- Share of OCI - Equity Accounted Council Businesses	19	—	1,008	—	1,008
- Other Equity Adjustments - Equity Accounted Council Businesses	19	(5)	—	—	(5)
Other comprehensive income		(5)	4,838	—	4,833
Total comprehensive income		6,378	4,838	—	11,216
Transfers between Reserves		(227)	—	227	—
Balance at the end of period		65,202	179,261	2,040	246,503

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		29,660	29,061
Investment Receipts		29	32
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(23,254)	(22,247)
Finance Payments		(818)	(842)
Net cash provided by (or used in) Operating Activities	11b	<u>5,617</u>	<u>6,004</u>
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		2,419	3,016
Sale of Replaced Assets		147	54
Sale of Surplus Assets		1,185	121
Repayments of Loans by Community Groups		4	55
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(3,874)	(6,609)
Expenditure on New/Upgraded Assets		(3,706)	(8,189)
Loans Made to Community Groups		–	(150)
Net cash provided (or used in) investing activities		<u>(3,825)</u>	<u>(11,702)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		–	6,426
<u>Payments</u>			
Repayments of Borrowings		(1,566)	(851)
Repayment of Finance Lease Liabilities		(85)	–
Repayment of Bonds & Deposits		–	(76)
Net Cash provided by (or used in) Financing Activities		<u>(1,651)</u>	<u>5,499</u>
Net Increase (Decrease) in Cash Held		<u>141</u>	<u>(199)</u>
plus: Cash & Cash Equivalents at beginning of period		113	312
Cash and cash equivalents held at end of period	11a	<u>254</u>	<u>113</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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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 (except as stated below) 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 dd October 2020.

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

(2) The Local Government Reporting Entity

Town of Gawler is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 43 High St, Gawler East SA 5118. 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.

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), where appropriate.

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

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

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:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

	Cash Payment Received	Annual Allocation	Difference
2017/18	\$1,865,349	\$1,010,087	+ \$855,262
2018/19	\$1,829,959	\$875,049	+ \$954,910
2019/20	\$1,825,650	\$860,335	+ \$965,315

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.

Impact of COVID-19

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

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

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

- Decrease in users charges of approx. \$225K due to the closures of sporting facilities, venues that are hired out to the community.
- Costs of \$59K related to business support in the form of temporary suspension of fines, penalties, interest, rent (including sports fields, licence fees and debt recovery actions)
- Additional costs of \$129K associated with public health activities (e.g. cleaning, preparing Council's facilities to respond to COVID-19, health and safety initiatives, etc)

Council estimates that the reduction in revenue and increase in expenditure resulted in a decrease of approximately \$293K in the 2019/20 operating result. It is expected that further financial impacts, though not significant, will flow into the 2020/21 financial year.

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

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) Gawler East Link Road and Surrounds (GELR) Construction

In May 2017, the Town of Gawler signed Gawler East Link Road (GELR) Deeds with the Minister for Transport and Infrastructure ('the Minister') and Springwood Development Nominees Pty. Ltd. relative to the future construction of the Gawler East Link Road.

The Deed with the Minister commits Council to a financial contribution of \$8.167m towards the \$54.4m estimated cost of construction of the GELR, with the remaining \$46.233m being funded by the State Government.

The road will become a Council owned and maintained asset on completion.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

The State Government will 'bankroll' construction of the road, with Council reimbursing the \$8.167m to the State Government over time as follows:

- \$2.4m within 30 days of practical completion of the GELR;
- \$500,000 no later than 12 months after practical completion of the GELR;
- \$5.267m – based on the on-forwarding of per new allotment contributions received from developers over the life of the Gawler East development area.

The Deed signed with Springwood Development Nominees Pty. Ltd. commits the consortium to paying Council the \$500,000 due from Council to the State Government within 12 months of practical completion of the GELR.

The new allotment contributions received from developers each financial year will be due and payable to the State Government by 31 July of the subsequent financial year.

In this regard, such contributions received will be treated as an accrued expense for the reporting period immediately preceding the annual July payment to the State Government.

Council has since applied (from the 2017/18 financial year) a Gawler East Separate Rate as a financial security mechanism towards securing developer contributions towards the GELR, with the intent being that the primary source of securing developer contributions towards the GELR will be via deeds entered into with various property developers within the Gawler East development area.

(5) 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.

(6) Inventories

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

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

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

5.2 Other Real Estate Held for Resale

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

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

(7) 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.

Office Furniture & Equipment	\$5,000
Other Plant & Equipment	\$5,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$5,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$10,000
Drains & Culverts	\$10,000
Artworks	\$5,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

Building & Other Structures

Buildings – masonry	50 to 250 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	15 to 20 years
Benches, seats, etc	10 to 20 years

Infrastructure

Sealed Roads – Surface	25 to 40 years
Sealed Roads – Structure	15 to 25 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	50 to 150 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Reticulation Pipes – PVC	70 to 100 years
Reticulation Pipes – other	25 to 100 years
Pumps & Telemetry	15 to 25 years

Other Assets

Artworks	Indefinite
Playground Equipment	15 to 20 years
Swimming Pools	40 to 50 years
Shade Structures	10 to 30 years
Bores	20 to 40 years
Court Surfaces	14 to 25 years
Other Assets	7 to 100 years

6.5 Impairment

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

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

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

6.6 Borrowing Costs

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

(8) Payables

8.1 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

8.2 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.

(9) 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".

(10) Employee Benefits

10.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 1.36% (2019, 1.36%)

Weighted avg. settlement period 5.4 years (2019, 5.5 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.

10.2 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.

(11) Leases

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.

12.1 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.

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:

Plant and equipment	2 to 3 years
Computers	2 to 3 years

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

(12) Equity Accounted Council Businesses

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

(13) 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.

(14) 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.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. The Town of Gawler has not applied those standards in these financial standards. Council will implement them when they are effective.

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

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

The Council early adopted AASB 15 and AASB 1058 from the year ended 30 June 2018. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations.

The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies.

The Council has determined the impact of the new standards 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.

Grants that are not enforceable and/or not sufficiently specific do not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations and these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

AASB 16 Leases

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

Adoption of AASB 16 Leases

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model.

The Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Council has a small number of operating leases but no finance leases.

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

The Council now recognises right-of-use assets and the related 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 are 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 are 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	215
Total Assets	215
Liabilities	
Interest-bearing loans and borrowings	215
Total Liabilities	215
Net Accumulated Surplus	Nil

The Council has assessed as non-material the impacts of the new standard that initial application of AASB 16 has had on its consolidated financial statements.

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 Interpretations 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 1059 Service Concession Arrangements: Grantors (Appendix D)
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors
- AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059
- 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
- AASB 17 Insurance Contracts (Appendix D)

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

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

(15) Comparative Figures

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

(16) Disclaimer

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income

\$ '000	2020	2019
(a) Rates		
General Rates		
General Rates	22,097	21,201
Less: Mandatory Rebates	(395)	(363)
Less: Discretionary Rebates, Remissions & Write Offs	(981)	(951)
Total General Rates	20,721	19,887
Other Rates (Including Service Charges)		
Natural Resource Management Levy	367	361
Waste Collection	2,144	1,982
Separate Rate	176	173
Total Other Rates (Including Service Charges)	2,687	2,516
Other Charges		
Penalties for Late Payment	47	64
Total Other Charges	47	64
Less: Discretionary Rebates, Remissions & Write Offs	(5)	–
Total Rates	23,450	22,467
(b) Statutory Charges		
Development Act Fees	231	216
Health & Septic Tank Inspection Fees	2	2
Animal Registration Fees & Fines	297	260
Parking Fines / Expiation Fees	141	120
Sundry	74	65
Total Statutory Charges	745	663
(c) User Charges		
Cemetery Fees	148	205
Lease and Property Rents	490	537
Sundry	95	67
Recreation Fees and Charges	252	395
Aquatic Centre Fees and Charges	347	398
Visitors Information Centre	56	79
Total User Charges	1,388	1,681
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	22	18
- Loans to Community Groups	–	1
Developer Contributions	7	13
Total Investment Income	29	32

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
(e) Reimbursements		
Vehicle Use Reimbursements	106	109
Insurance Claims / Rebates	71	69
Legal Costs	–	1
Other	185	210
Total Reimbursements	362	389

(f) Other income

Commissions	3	3
Donations	4	21
Recognition of Volunteer Hours	284	–
Other	240	66
Total Other income	531	90

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	2,025	3,956
Total Amounts Received Specifically for New or Upgraded Assets	2,025	3,956
Other Grants, Subsidies and Contributions	380	344
Financial Assistance Grant	1,535	1,483
Roads to Recovery	576	570
Library Operating Grant	72	68
Home Support Program Grant	760	339
Local Roads Grant	291	825
Youth Development	74	16
Total Other Grants, Subsidies and Contributions	3,688	3,645
Total Grants, Subsidies, Contributions	5,713	7,601

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

(i) Sources of grants

Commonwealth Government	4,394	4,912
State Government	673	2,286
Other	646	403
Total	5,713	7,601

(ii) Individually Significant Items

Grant Commission (FAG) Grant in advance recognised as income	965	955
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(h) Physical Resources Received Free of Charge

Land & Improvements	498	1,435
Stormwater Drainage	1,228	1,152
Kerb & Gutter	743	595
Roads & Footpaths	1,551	1,167

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	2020	2019
<u>Total Physical Resources Received Free of Charge</u>	<u>4,020</u>	<u>4,349</u>

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		9,915	9,287
Employee Leave Expense		655	738
Superannuation - Defined Contribution Plan Contributions	18	675	614
Superannuation - Defined Benefit Plan Contributions	18	288	316
Workers' Compensation Insurance		286	260
Income Protection Insurance		160	144
Less: Capitalised and Distributed Costs		(1,019)	(667)
Total Operating Employee Costs		10,960	10,692
Total Number of Employees (full time equivalent at end of reporting period)		130	129

(b) Materials, Contracts and Other Expenses**(i) Prescribed Expenses**

Auditor's Remuneration			
- Auditing the Financial Reports		40	30
Bad and Doubtful Debts		1	17
Elected Members' Expenses		247	238
Election Expenses		7	105
Operating Lease Rentals - Non-Cancellable Leases	17		
- Minimum Lease Payments		—	235
Lease Expense - Low Value Assets / Short Term Leases		282	—
Subtotal - Prescribed Expenses		577	625

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	Notes	2020	2019
(ii) Other Materials, Contracts and Expenses			
Contractors		2,295	1,838
Energy (Fuel, Gas, Electricity)		968	973
Maintenance		250	273
Sundry		667	665
Advertising, Printing, Postage & Freight		227	208
Bank Charges & Payment Collection Agencies		57	68
Canteen Supplies (Cost of Goods Sold)		47	59
Cleaning & Hygiene		331	260
Communications		138	104
Computer Software / Hardware		318	417
Consultants & Agency Staff		1,153	1,134
Contribution - Other		398	489
Contribution - Gawler Business Development Group		176	173
Contribution - State Government NRM Levy		366	361
Contribution - State Government Gawler East Link Road		151	—
Corporate Memberships		111	100
Fringe Benefit Tax		92	101
Insurance		304	272
Levies - Emergency Services		17	16
Materials - Depot Store		36	30
Minor Asset Purchases		62	86
Property Valuations (Valuer General Expenses)		47	47
Rubble, Bitumen & Concrete		160	108
Security		60	87
Staff Training		83	98
Vehicle / Machine Parts & Registrations		103	94
Waste Collection & Disposal Charges		2,259	2,010
Water Supply & Consumption Charges		688	716
Legal Fees (including Debt Recovery)		245	177
Recognition of Volunteer Hours		284	—
Subtotal - Other Material, Contracts & Expenses		12,093	10,964
Total Materials, Contracts and Other Expenses		12,670	11,589

(c) Depreciation, Amortisation and Impairment

(i) Depreciation and Amortisation

Infrastructure			
- Stormwater Drainage		914	865
- Roundabouts		34	34
- Urban Elements		105	113
- Bridges & Major Culverts		145	142
- Roads		1,901	1,860
- Footpaths		520	493
- Kerb & Gutter		707	677
Right-of-use Assets		72	—
Buildings		733	564
Equipment		554	631
Other Assets		216	203
Subtotal		5,901	5,582

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	2020	2019
<u>Total Depreciation, Amortisation and Impairment</u>	<u>5,901</u>	<u>5,582</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	2020	2019
(d) Finance Costs		
Interest on Overdraft and Short-Term Drawdown	363	453
Interest on Loans	357	408
Bank Guarantee Charges	21	20
Total Finance Costs	741	881

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2020	2019
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	147	54
Less: Carrying Amount of Assets Sold	(107)	(37)
Gain (Loss) on Disposal	40	17
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	14	1,172
Less: Carrying Amount of Assets Sold	(365)	(3,288)
Gain (Loss) on Disposal	(351)	(2,116)
Net Gain (Loss) on Disposal or Revaluation of Assets	(311)	(2,099)

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	254	113
<u>Total Cash & Cash Equivalent Assets</u>	<u>254</u>	<u>113</u>
(b) Trade & Other Receivables		
Rates - General & Other	1,447	943
Accrued Revenues	52	34
Debtors - General	280	2,235
Prepayments	119	67
Loans to Community Organisations	20	24
Subtotal	<u>1,918</u>	<u>3,303</u>
Less: Allowance for Doubtful Debts	(4)	(4)
<u>Total Trade & Other Receivables</u>	<u>1,914</u>	<u>3,299</u>
(c) Inventories		
Trading Stock	23	24
<u>Total Inventories</u>	<u>23</u>	<u>24</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Non-Current Assets

\$ '000	2020	2019
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(a) Financial Assets

Receivables

Loans to Community Organisations

Subtotal**Total Receivables**Total Financial Assets

183	193
<u>183</u>	<u>193</u>
<u>183</u>	<u>193</u>
<u>183</u>	<u>193</u>

\$ '000	Notes	2020	2019
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(b) Equity Accounted Investments in Council Businesses

Gawler River Floodplain Management Authority

Northern Adelaide Waste Management Authority

Total Equity Accounted Investments in Council Businesses

19	3,817	3,862
19	<u>703</u>	<u>667</u>
	<u>4,520</u>	<u>4,529</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Infrastructure, Property, Plant & Equipment

(a) Infrastructure, Property, Plant & Equipment

		as at 30/06/19				Asset movements during the reporting period								as at 30/06/20			
		Fair Value Level	At Fair Value	Accumulated Depreciation	Carrying amount	Transition adjustment - AASB 16	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																	
Land	2		34,225	—	34,225	—	1,126	4	(176)	—	(17,903)	—	630	17,906	—	—	17,906
Land - Community	3		—	—	—	—	—	—	—	—	17,903	—	486	18,389	—	—	18,389
Infrastructure																	
- Stormwater Drainage	3		78,497	(26,516)	51,981	—	1,445	115	(25)	(914)	740	—	881	81,983	326	(28,086)	54,223
- Roundabouts	3		1,683	(504)	1,179	—	—	—	—	(34)	—	—	25	1,719	—	(549)	1,170
- Urban Elements			—	6,148	4,854	—	81	82	—	(105)	(740)	—	—	5,339	162	(1,329)	4,172
- Bridges & Major Culverts	3		12,253	(7,565)	4,688	—	—	—	—	(145)	—	—	100	12,516	—	(7,873)	4,643
- Roads	3		94,597	(31,603)	62,994	—	1,153	1,199	(118)	(1,901)	—	—	1,254	96,788	1,323	(33,530)	64,581
- Footpaths	3		25,727	(7,554)	18,173	—	783	496	(20)	(520)	—	—	509	26,867	731	(8,177)	19,421
- Kerb & Gutter	3		59,579	(21,276)	38,303	—	991	293	(22)	(707)	—	—	484	61,224	537	(22,419)	39,342
Right-of-Use Assets			—	—	—	215	—	24	—	(72)	—	—	—	—	239	(72)	167
Buildings	3		27,071	16,606	32,976	—	175	295	—	(698)	—	—	—	43,677	469	(11,398)	32,748
Buildings	2		6,072	(2,670)	3,402	—	—	—	—	(35)	—	—	—	6,073	—	(2,706)	3,367
Equipment			—	6,987	3,338	—	962	—	(104)	(554)	—	—	—	—	7,261	(3,619)	3,642
Other Assets			—	6,329	3,601	—	364	224	(7)	(216)	—	—	—	—	6,852	(2,886)	3,966
Total Infrastructure, Property, Plant & Equipment			339,704	36,070	(116,060)	259,714	215	7,080	2,732	(472)	(5,901)	—	4,369	372,481	17,900	(122,644)	267,737
Comparatives			336,311	17,479	(114,085)	239,705	—	22,829	2,255	(3,323)	(5,582)	—	(1,259)	339,704	36,070	(116,060)	259,714

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 & Investment Property

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

The entity selects valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the entity are consistent with one or more of the following valuation approaches:

- Market approach: uses prices and other relevant information generated by market transactions involving identical or similar assets or liabilities.
- Income approach: converts estimated future cash flows or income and expenses into a single current (ie discounted) value.
- Cost approach: reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Other Information

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

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

Highest and best use

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

Transition to AASB 13 - Fair Value Measurement

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

Land

- Basis of valuation: Market Value
- Date of valuation: 30 June 2020
- Valuer: Valuer General, GPO BOX 1354, Adelaide SA 5001

Buildings & Other Structures

- Basis of valuation: Market Value / Depreciated Replacement Cost
- Date of valuation: 30 June 2018
- Valuer: Mitch Ekonomopoulos of AssetVal Pty Ltd, L1/148 Frome Street, Adelaide SA 5000

In 2018/2019, Council reviewed the lease conditions of Council buildings that are the subject of lease to various community groups / sporting clubs and identified that there were a significant number of assets where the responsibility and owner of the building is actually the lessee. It is clearly stated within the lease that the building may (at the lessee's discretion) become the property of Council only at the expiry or termination of the lease. Therefore all of the buildings identified have been removed from Council's asset register

Infrastructure

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2018
- Valuer: Steve Walker of Asset Engineering, PO BOX 211, Plympton SA 5038

The unit rates were certified by Steve Walker in 2017/2018. In subsequent years, Administration elected to undertake a desktop review in accordance with our revised valuation methodology for Infrastructure Assets.

Stormwater Drainage

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2018
- Valuer: Steve Walker of Asset Engineering, PO BOX 211, Plympton SA 5038

The unit rates were certified by Steve Walker in 2017/2018. In Subsequent years, Administration elected to undertake a desktop review in accordance with our revised valuation methodology for infrastructure assets.

Roundabouts

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2018
- Valuer: Steve Walker of Asset Engineering, PO BOX 211, Plympton SA 5038

Notes to the Financial Statements

for the year ended 30 June 2020

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

The unit rates were certified by Steve Walker in 2017/2018. Subsequent years, Administration elected to undertake a desktop review in accordance with our revised valuation methodology for infrastructure assets.

Urban Elements

- Recognition at Cost

Bridges and Major Culverts

- Basis of valuation: Written down current replacement cost
- Date of valuation: 30 June 2018
- Valuer: Steve Walker of Asset Engineering, PO BOX 211, Plympton SA 5038

The unit rates were certified by Steve Walker in 2017/2018. Subsequent years, Administration elected to undertake a desktop review in accordance with our revised valuation methodology for infrastructure assets.

Plant & Equipment

- Recognition at Cost

All other Assets

- Recognition 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
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(a) Trade and Other Payables

Goods & Services	2,734	—	2,458	—
Payments Received in Advance	1,130	—	1,502	—
Accrued Expenses - Employee Entitlements	384	—	277	—
Accrued Expenses - Finance Costs	184	—	261	—
Accrued Expenses - Other	225	—	264	—
Deposits, Retentions & Bonds	5	—	5	—
<u>TOTAL Trade and Other Payables</u>	<u>4,662</u>	<u>—</u>	<u>4,767</u>	<u>—</u>

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
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(b) Borrowings

Loans		971	3,876	909	4,847
Lease Liabilities	17	75	79	—	—
Cash Advance Debenture Facility ¹		—	13,831	—	14,488
<u>TOTAL Borrowings</u>		<u>1,046</u>	<u>17,786</u>	<u>909</u>	<u>19,335</u>

(1) The Cash Advance Debenture Facility comprises of 5 accounts with the maturity dates ranging from 15/06/2022 to 17/10/2026.

(c) Provisions

Employee Entitlements for Long Service Leave (including oncosts)	1,610	212	1,605	149
Employee Entitlements for Annual Leave (including oncosts)	1,301	—	1,251	—
<u>TOTAL Provisions</u>	<u>2,911</u>	<u>212</u>	<u>2,856</u>	<u>149</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Reserves

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	28,277	1,116	—	—	29,393
Infrastructure					
- Stormwater Drainage	42,144	881	—	—	43,025
- Roundabouts	1,265	25	—	—	1,290
- Bridges & Major Culverts	919	100	—	—	1,019
- Roads	45,125	1,254	—	—	46,379
- Footpaths	17,126	509	—	—	17,635
- Kerb & Gutter	29,526	484	—	—	30,010
Buildings	13,324	—	—	—	13,324
JV's / Associates - Other Comprehensive Income	1,555	—	—	—	1,555
Total Asset Revaluation Reserve	179,261	4,369	—	—	183,630
Comparatives	174,423	4,838	—	—	179,261

	as at 30/06/19				as at 30/06/20
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Carparking	452	43	—	—	495
Open Space	—	6	(6)	—	—
Plant & Machinery Replacement	61	254	(315)	—	—
Willaston Cemetery - Babies Memorial	1	1	—	—	2
Waste Management Service Charge	115	—	(115)	—	—
Gawler East Development - Link Road	195	—	(195)	—	—
Property	1,108	10	(90)	—	1,028
Historic Walls	89	—	(5)	—	84
Property Improvement	6	—	—	—	6
Urban Tree Fund	13	1	(2)	—	12
Gawler East Development - Community Infrastructure	—	166	—	—	166
Gawler East Development - Traffic Interventions	—	344	—	—	344
Total Other Reserves	2,040	825	(728)	—	2,137
Comparatives	1,813	482	(255)	—	2,040

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).

Stormwater

This reserve is used for the retention of developer contributions towards the provision of stormwater infrastructure.

Carparking Reserve

This reserve is used for the retention of developer contributions towards the provision of carpark facilities.

Footpath Reserve

This reserve is used for the retention of developer contributions towards the construction of new footpaths.

Open Space Reserve

This reserve is used for the retention of developer contributions received towards the provision of facilities within Council's Community Parks, Gardens and Open Spaces.

Plant & Machinery Replacement Reserve

This reserve is used for the provision of funding towards the programmed replacement of Council's Plant & Machinery.

Cemetery Reserve

This reserve is used for the development and enhancement of facilities at the Willaston Cemetery.

Waste Management Service Charge Reserve

Council applies an annual charge for the provision of waste management services, pursuant to section 155 of the Local Government Act 1999. In instances where surplus funds are generated (i.e. where the funds generated from the service charge exceed the cost providing the service) this reserve is credited with the surplus.

Property Reserve

This reserve is used for future infrastructure and property development.

Historic Walls Reserve

This reserve is used to fund the Historic Walls Grant Scheme.

Dog & Cat Management Reserve

This reserve is used to fund future initiatives relating to Dog and Cat Management.

Urban Trees Fund Reserve

This reserve is used to fund the maintenance or planting of trees in a designated area which are or will (when fully grown) constitute as significant trees.

Property Improvement Reserve

This reserve is to hold discretionary rebates withheld for commercial properties in the Town Centre deemed to be in a state of neglect that detracts significantly from the amenity of the locality.

Gawler East Development Reserves

These reserves are used to hold developer contributions relating to Gawler East Development Infrastructure.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Assets Subject to Restrictions

\$ '000	2020	2019
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The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

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

Developer Contributions	307	154
Southern Urban Areas Developer Contributions	1,068	1,108
Total Cash & Financial Assets	1,375	1,262
Total Assets Subject to Externally Imposed Restrictions	1,375	1,262

Note 11. Reconciliation to Statement of Cash Flows

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

(a) Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	254	113
Balances per Statement of Cash Flows		254	113

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Reconciliation to Statement of Cash Flows (continued)

\$ '000	2020	2019
(b) Reconciliation of Change in Net Assets to Cash from Operating Activities		
Net Surplus/(Deficit)	5,479	6,383
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	5,901	5,582
Equity Movements in Equity Accounted Investments (Increase)/Decrease	176	46
Non-Cash Asset Acquisitions	(4,020)	(4,349)
Grants for capital acquisitions treated as Investing Activity	(2,025)	(3,956)
Net (Gain) Loss on Disposals	311	2,099
	5,822	5,806
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	1,454	126
Change in Allowances for Under-Recovery of Receivables	–	19
Net (Increase)/Decrease in Inventories	1	(7)
Net (Increase)/Decrease in Other Assets	(90)	(38)
Net Increase/(Decrease) in Trade & Other Payables	275	(49)
Net Increase/(Decrease) in Other Provisions	325	149
Net Increase/(Decrease) in Other Liabilities	(2,170)	(2)
Net Cash provided by (or used in) operations	5,617	6,004

\$ '000	Notes	2020	2019
(c) Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
Physical Resources Received Free of Charge	2h	4,020	4,349
Amounts recognised in Income Statement		4,020	4,349
Total Non-Cash Financing and Investing Activities		4,020	4,349

(d) Financing Arrangements

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

Corporate Credit Cards	43	41
LGFA Cash Advance Debenture Facility	26,788	16,788

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).

	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
\$ '000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions/Activities										
Business Undertakings	—	—	—	—	—	—	—	—	2,702	3,649
Community Services	1,047	1,078	2,303	2,256	(1,256)	(1,178)	728	732	34,807	34,910
Culture	112	105	1,037	1,094	(925)	(989)	72	69	275	281
Economic Development	523	300	1,624	1,323	(1,101)	(1,023)	7	13	1,966	1,727
Environment	2,364	2,005	4,881	4,426	(2,517)	(2,421)	—	—	2,519	2,499
Recreation	656	815	3,537	3,557	(2,881)	(2,742)	50	9	29,343	28,200
Regulatory Services	1,372	1,179	4,113	3,654	(2,741)	(2,475)	308	196	295	316
Transport & Communication	939	1,051	4,688	4,559	(3,749)	(3,508)	938	1,041	519	539
Plant Hire & Depot/Indirect	33	22	(204)	(463)	237	485	24	12	3,087	2,944
Unclassified Activities	—	—	—	—	—	—	—	—	21	20
Council Administration	23,143	22,412	8,351	8,384	14,792	14,028	1,561	1,573	207,601	199,434
Total Functions/Activities	30,189	28,967	30,330	28,790	(141)	177	3,688	3,645	283,135	274,519

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, Development of Land for Resale.

COMMUNITY SERVICES

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Support Program, Children and Youth Services, Community Assistance, Family and Neighbourhood Support, Other Community Support, Community Amenities, Bus Shelters, Cemeteries, Public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

CULTURE

Library Services, Other Library Services, Cultural Services, Heritage and Other Cultural Services.

ECONOMIC DEVELOPMENT

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

ENVIRONMENT

Landcare, Other Agricultural Services, Waste Management, Domestic Waste, Green Waste, Recycling, Waste Disposal Facility, Other Waste Management, Other Environment, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

RECREATION

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Aquatic Centre – Outdoor, and Other Recreation.

REGULATORY SERVICES

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

TRANSPORT

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

PLANT HIRE & DEPOT

Plant & Machinery maintenance & repairs, Depot maintenance expenses.

UNCLASSIFIED ACTIVITIES

Road reserve maintenance, 'Rapid Response' team service and other sundry.

COUNCIL ADMINISTRATION

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1% and .25% (2019: 1.5% and 1.25%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.2% (2019: 6.35%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between **2.2%** and **7.88%** (2019: **3.35%** and **7.88%**).

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	254	—	—	254	254
Receivables	1,779	—	—	1,779	1,799
Other Financial Assets	—	183	—	183	183
Total Financial Assets	2,033	183	—	2,216	2,236
Financial Liabilities					
Payables	3,148	—	—	3,148	3,148
Current Borrowings	1,276	—	—	1,276	971
Non-Current Borrowings	—	7,495	10,143	17,638	17,707
Total Financial Liabilities	4,424	7,495	10,143	22,062	21,826
2019					
Cash & Equivalents	113	—	—	113	113
Receivables	2,290	193	—	2,483	2,483
Total Financial Assets	2,403	193	—	2,596	2,596
Financial Liabilities					
Payables	4,364	—	—	4,364	3,965
Current Borrowings	1,276	—	—	1,276	909
Non-Current Borrowings	—	8,766	11,129	19,895	19,335
Total Financial Liabilities	5,640	8,766	11,129	25,535	24,209

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
Other Variable Rates	0.75%	—	3.48%	14,488
Fixed Interest Rates	6.63%	18,832	6.61%	5,756
		18,832		20,244

Net Fair Value

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Risk Exposures

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2020	2019
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(a) Capital Commitments

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

Infrastructure	820	275
	<u>820</u>	<u>275</u>

These expenditures are payable:

Not later than one year	820	275
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
	<u>820</u>	<u>275</u>

(b) Other Expenditure Commitments

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

Audit Services	84	31
	<u>84</u>	<u>31</u>

These expenditures are payable:

Not later than one year	20	31
Later than one year and not later than 5 years	64	–
	<u>84</u>	<u>31</u>

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	(255)	(0.84)%	0.61%	2.20%
Total Operating Income	30,193			

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	24,266	80.37%	84.27%	77.00%
Total Operating Income	30,193			

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	(265)	(0.88)%	0.27%	1.90%
Total Operating Income	30,193			

Adjusted Net Financial Liabilities Ratio

Net Financial Liabilities	24,266	80.34%	84.56%	77.00%
Total Operating Income	30,203			

3. Asset Renewal Funding Ratio

Net Asset Renewals	3,244	114.19%	165.45%	101.00%
Infrastructure & Asset Management Plan required expenditure	2,841			

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.

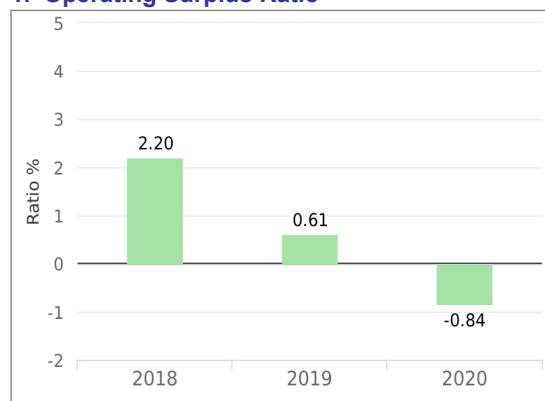
Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators (continued)

Financial Indicators - Graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

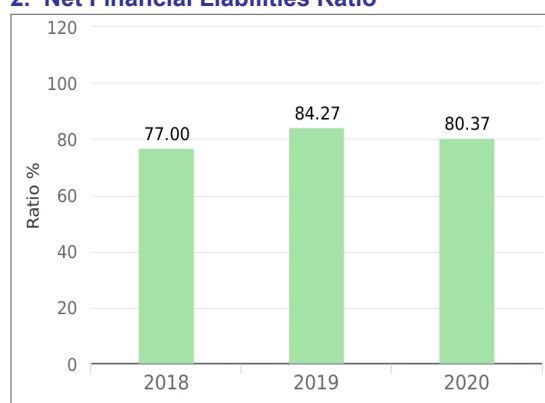
This indicator is to determine the percentage the operating revenue varies from operating expenditure

Commentary on 2019/20 result

2019/20 ratio (0.84)%

The operating deficit of \$256K was influenced by increases in Other Revenue (\$284K) due to the first time adoption of volunteer services, offset by increases in Employee Cost (\$124K) and Materials, Contracts & Other (\$848K) due to material increases in volunteer services, legal, waste disposal, agency staff and contractor costs.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

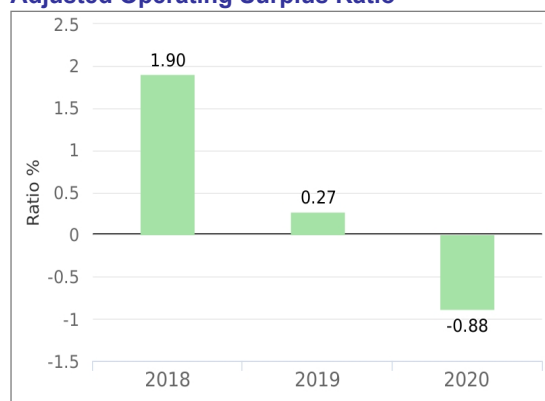
This indicator shows the significance of the net amount owed to others, compared to operating revenue

Commentary on 2019/20 result

2019/20 ratio 80.37%

The Net Financial Liabilities Ratio has decreased from 84% in 2018/19 to 80.4% in 2019/20. This is due to a reduction in non-current Cash Advance Debenture borrowings (\$1.5M) offset by an increase in Rates Debtors (\$0.5M), a decrease in Sundry Debtors (\$2M) and a decrease in Other Current Liabilities (\$0.5M).

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

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

Commentary on 2019/20 result

2019/20 ratio (0.88)%

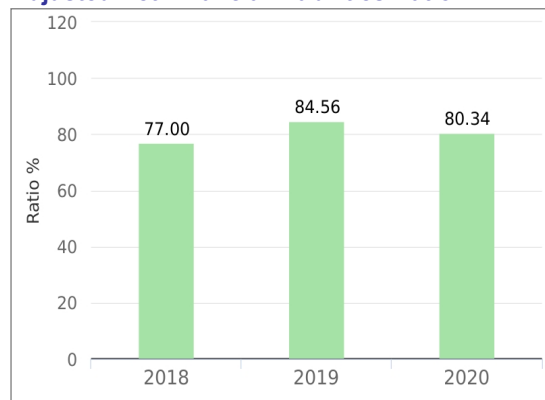
Council received Advance Financial Assistance Grant Payment of \$965K in 2019/2020 and \$955K in 2018/2019. This ratio (unchanged at -0.8%) represents Councils Operating Result including these payments.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Financial Indicators (continued)

Adjusted Net Financial Liabilities Ratio



Purpose of adjusted net financial liabilities ratio

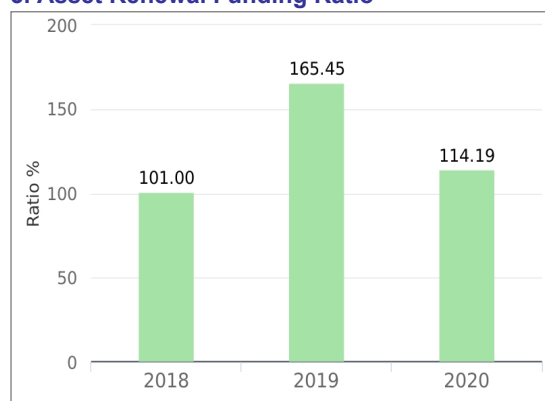
This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2019/20 result

2019/20 ratio 80.34%

Council received Advance Financial Assistance Grant Payment of \$965K in 2019/2020 and \$955K in 2018/2019. This ratio (80.3%) represents Councils Ratio Result including these payments.

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

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

Commentary on 2019/20 result

2019/20 ratio 114.19%

The Asset Sustainability Ratio is based on the capital expenditure for the replacement of assets as indicated in the Asset Management Plan and the 10 year Long-Financial Plan. The target range is 90-100%. The ratio for 2019/2020 is 114.2%.

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	30,193	28,967
less Expenses	(30,448)	(28,790)
Operating Surplus / (Deficit)	(255)	177
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(3,874)	(6,609)
add back Depreciation, Amortisation and Impairment	5,901	5,582
add back Proceeds from Sale of Replaced Assets	147	54
	2,174	(973)
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(3,706)	(8,189)
add back Amounts Received Specifically for New and Upgraded Assets	2,419	3,016
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	1,185	121
	(102)	(5,052)
Net Lending / (Borrowing) for Financial Year	1,817	(5,848)

In accordance with the calculation method outlined in the 2020 Model Financial Statements approved by the Minister for Local Government, net outlays on assets (i.e. existing assets and new / upgraded assets) in the Statement above have been sourced from the Statement of Cash Flows. This means, however, that the Statement above does not consider material movements that may occur in associated Balance Sheet items from one reporting period to the next.

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

Details here on the nature of the lease such as terms and conditions, lease term, repayments (fixed/variable), renewal options, lease increases such as CPI, residual value etc.

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	215	215
Additions to right-of-use assets	24	24
Depreciation charge	(72)	(72)
Balance at 30 June 2020	167	167

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	215	—
Additions	24	—
Accretion of interest	8	—
Payments	(93)	—
Balance at 30 June	154	—
Classified as:		
Current	75	—
Non Current	79	—

The maturity analysis of lease liabilities is included in Note 13.
The Group had total cash outflows for leases of \$101.

The following are the amounts recognised in profit or loss:

Depreciation expense of Right-of-Use Assets	72	—
Interest expense on lease liabilities	8	—
Expense relating to leases of low-value assets	282	—
Total amount recognised in profit or loss	362	—

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.

(i) Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

\$ '000	2020	2019
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	527	181
Later than one year and not later than 5 years	2,498	41
Later than 5 years	3,768	—
	6,793	222

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. 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	(176)	(46)	4,520	4,529
Total Council's Share of Net Income	(176)	(46)	4,520	4,529

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

(a) Carrying Amounts

\$ '000	Principal Activity	2020	2019
Northern Adelaide Waste Management Authority	Provision of waste management services	703	667
Gawler River Floodplain Management Authority	Management and co-ordination of flood mitigation projects	3,817	3,862
Total Carrying Amounts - Joint Ventures & Associates		4,520	4,529

Northern Adelaide Waste Management Authority

Established by Town of Gawler, City of Playford and the City of Salisbury, NAWMA is responsible for the provision of Waste Management Services

Gawler River Floodplain Management Authority

Established by Town of Gawler, City of Playford, Adelaide Hills Council, The Barossa Council, Light Regional Council and the Adelaide Plains Council. GRFMA is responsible for the co-ordination of construction and management of projects

(b) Relevant Interests

\$ '000	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2020	2019	2020	2019	2020	2019
Northern Adelaide Waste Management Authority	10.15%	9.88%	10.15%	9.88%	30.00%	30.00%
Gawler River Floodplain Management Authority	17.30%	17.24%	17.30%	17.24%	16.00%	16.00%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities (continued)

(c) Movement in Investment in Joint Venture or Associate

\$ '000	Northern Adelaide Waste Management Authority		Gawler River Floodplain Management Authority	
	2020	2019	2020	2019
Opening Balance	667	686	3,862	2,886
Share in Operating Result	(133)	(22)	(43)	(24)
Share in Other Comprehensive Income	150	3	–	1,005
Adjustments to Equity	19	–	(2)	(5)
Council's Equity Share in the Joint Venture or Associate	703	667	3,817	3,862

(d) Summarised Financial Information of the Equity Accounted Business

Statement of Financial Position

Cash and Cash Equivalents	3,804	2,613	152	3
Other Current Assets	3,873	3,236	32	65
Non-Current Assets	23,828	14,709	22,011	22,332
Total Assets	31,505	20,558	22,195	22,400
Current Trade and Other Payables	5,856	3,410	42	–
Current Financial Liabilities	2,502	1,186	–	–
Current Provisions	255	191	–	–
Non-Current Financial Liabilities	12,466	6,318	–	–
Non-Current Provisions	3,502	2,698	–	–
Total Liabilities	24,581	13,803	42	–
Net Assets	6,924	6,755	22,153	22,400

Statement of Comprehensive Income

Other Income	4	67	99	5
Contributions from Constituent Councils	38,644	33,758	230	232
Interest Income	210	209	1	2
Total Income	38,858	34,034	330	239
Employee Costs	3,042	2,753	–	–
Materials, Contracts & Other Expenses	33,754	29,756	257	130
Depreciation, Amortisation and Impairment	2,841	1,394	321	233
Finance Costs	529	351	–	–
Total Expenses	40,166	34,254	578	363
Other Revenue / Expense Items	–	–	–	(17)
Operating Result	(1,308)	(220)	(248)	(141)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in Other Entities (continued)

(e) Share of Joint Operations Expenditure Commitments

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

\$ '000	2020	2019
(i) Capital Expenditures Payable		
Not later than one year	18,976	14,049
Later than one year and not later than 5 years	62,492	56,136
Later than 5 years	–	10,526
	81,468	80,711

The Northern Adelaide Waste Management Authority manages multiple external contracts with external suppliers for the collection, processing and disposal of waste on behalf of its Constituent Councils and customers. The commitments disclosed above reflect a consolidation of multiple contracts entered into with external suppliers.

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 **203** km of road reserves of average width **14** 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. 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 0 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Note 22. Events after the Balance Sheet Date

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 22 persons were paid the following total compensation

\$ '000	2020	2019
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	1,270	1,370
Long-Term Benefits	25	91
Total	1,295	1,461

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Council information and contact details

Principal place of business:

43 High St
Gawler East SA 5118

Contact details

Mailing Address:

PO Box 130
Gawler SA 5118

Telephone: 08 8522 9211

Opening hours:

Monday - Friday 9:00am - 5:00pm

Internet: www.gawler.sa.gov.au

Email: council@council.sa.gov.au

Officers

Henry Inat
Chief Executive Officer

AUDITORS

Galpins
3 Kensington Road
Norwood South SA 5067

Elected members

MAYOR

Karen Redman

COUNCILLORS

Ian Tooley
Cody Davies
Jim Vallelonga
Diane Fraser
Kelvin Goldstone
Paul Little
David Hughes
Paul Koch
Nathan Shanks
Brian Sambell

Other information

ABN: 29 861 749 581

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



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ABN: 30 630 511 757

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INDEPENDENT AUDITOR'S REPORT

To the members of Town of Gawler

Opinion

We have audited the accompanying financial report of Town of Gawler (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 Town of Gawler.

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

27 November 2020

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Rena Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
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INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS

To the members of Town of Gawler

Opinion

We have audited the compliance of Town of Gawler (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, Town of Gawler 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 that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

27 November 2020

General Purpose Financial Statements
for the year ended 30 June 2020

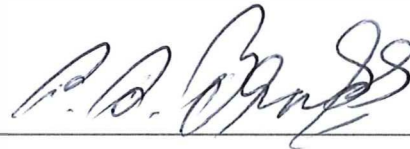
Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Town of Gawler for the year ended 30 June 2020, the Council's Auditor, Galpins 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*.



Henry Inat
Chief Executive Officer



Peter Brass
Presiding Member, Audit Committee

Date: 24 November 2020

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
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TOWN OF GAWLER

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 Town of Gawler for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (Including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA, Registered Company Auditor
Partner

27 November 2020