

# Kingston District Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Kingston District Council

## General Purpose Financial Statements for the year ended 30 June 2019

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| <b>1. Council Certificate</b>                                 | <b>2</b>    |
| <b>2. Primary Financial Statements:</b>                       |             |
| - Statement of Comprehensive Income                           | 3           |
| - Statement of Financial Position                             | 4           |
| - Statement of Changes in Equity                              | 5           |
| - Statement of Cash Flows                                     | 6           |
| <b>3. Notes to the Financial Statements</b>                   | <b>7</b>    |
| <b>4. Independent Auditor's Report - Financial Statements</b> | <b>44</b>   |
| <b>5. Independent Auditor's Report - Internal Controls</b>    | <b>46</b>   |
| <b>6. Certificates of Audit Independence</b>                  |             |
| - Council Certificate of Audit Independence                   | 48          |
| - Audit Certificate of Audit Independence                     | 49          |

## Kingston District Council


### General Purpose Financial Statements for the year ended 30 June 2019

### 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 2019 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.



NATALIE TRAEGER  
CHIEF EXECUTIVE OFFICER



KAY RASHEED  
MAYOR

Date: 22 October 2019

# Kingston District Council

## Statement of Comprehensive Income for the year ended 30 June 2019

| \$ '000  | Notes | 2019         | 2018         |
|--|-------|--------------|--------------|
| <b>Income</b>  |       |              |              |
| Rates Revenues   | 24    | 4,686        | 4,346        |
| Statutory Charges  | 25    | 78           | 62           |
| User Charges   | 26    | 683          | 655          |
| Grants, Subsidies and Contributions                      | 29    | 1,238        | 1,416        |
| Investment Income  | 30    | 66           | 48           |
| Reimbursements   | 32    | 237          | 154          |
| Other Income   | 33    | 52           | 63           |
| <b>Total Income</b>                                      |       | <b>7,040</b> | <b>6,744</b> |
| <b>Expenses</b>  |       |              |              |
| Employee Costs   | 34    | 2,063        | 1,697        |
| Materials, Contracts & Other Expenses                    | 35    | 3,370        | 3,005        |
| Depreciation, Amortisation & Impairment                  | 36    | 1,990        | 1,895        |
| Finance Costs  | 37    | 121          | 37           |
| <b>Total Expenses</b>                                    |       | <b>7,544</b> | <b>6,634</b> |
| <b>Operating Surplus / (Deficit)</b>                     |       | <b>(504)</b> | <b>110</b>   |
| Asset Disposal & Fair Value Adjustments                  | 38    | (500)        | (409)        |
| Amounts Received Specifically for New or Upgraded Assets | 39    | 497          | 2,271        |
| <b>Net Surplus / (Deficit) <sup>1</sup></b>              |       | <b>(507)</b> | <b>1,972</b> |
| <b>Total Comprehensive Income</b>                        |       | <b>(507)</b> | <b>1,972</b> |

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

# Kingston District Council

## Statement of Financial Position as at 30 June 2019

| \$ '000                                     | Notes | 2019          | 2018          |
|---|-------|---------------|---------------|
| <b>ASSETS</b>                               |       |               |               |
| <b>Current Assets</b>                       |       |               |               |
| Cash and Cash Equivalents                   | 4.1   | 2,637         | 2,925         |
| Trade & Other Receivables                   | 50    | 915           | 1,243         |
| Inventories                                 | 50    | 98            | 29            |
| <b>Total Current Assets</b>                 |       | <b>3,650</b>  | <b>4,197</b>  |
| <b>Non-Current Assets</b>                   |       |               |               |
| Financial Assets                            | 50    | 3,504         | 3,836         |
| Infrastructure, Property, Plant & Equipment | 7.1   | 87,004        | 83,671        |
| Other Non-Current Assets                    | 50    | 314           | 3,709         |
| <b>Total Non-Current Assets</b>             |       | <b>90,822</b> | <b>91,216</b> |
| <b>TOTAL ASSETS</b>                         |       | <b>94,472</b> | <b>95,413</b> |
| <b>LIABILITIES</b>                          |       |               |               |
| <b>Current Liabilities</b>                  |       |               |               |
| Trade & Other Payables                      | 4.2   | 423           | 494           |
| Borrowings                                  | 30    | 378           | 377           |
| Provisions                                  | 30    | 324           | 292           |
| <b>Total Current Liabilities</b>            |       | <b>1,125</b>  | <b>1,163</b>  |
| <b>Non-Current Liabilities</b>              |       |               |               |
| Borrowings                                  | 30    | 4,688         | 5,066         |
| Provisions                                  | 30    | 65            | 83            |
| <b>Total Non-Current Liabilities</b>        |       | <b>4,753</b>  | <b>5,149</b>  |
| <b>TOTAL LIABILITIES</b>                    |       | <b>5,878</b>  | <b>6,312</b>  |
| <b>Net Assets</b>                           |       | <b>88,594</b> | <b>89,101</b> |
| <b>EQUITY</b>                               |       |               |               |
| Accumulated Surplus                         |       | 26,562        | 26,454        |
| Asset Revaluation Reserves                  | 51    | 60,897        | 60,897        |
| Other Reserves                              | 51    | 1,135         | 1,750         |
| <b>Total Council Equity</b>                 |       | <b>88,594</b> | <b>89,101</b> |

# Kingston District Council

## Statement of Changes in Equity for the year ended 30 June 2019

| \$ '000  | Notes | Accumulated<br>Surplus | Asset<br>Revaluation<br>Reserve | Other<br>Reserves | Total<br>Equity |
|--|-------|------------------------|---------------------------------|-------------------|-----------------|
| <b>2019</b>  |       |                        |                                 |                   |                 |
| <b>Balance at the end of previous reporting period</b> |       | 26,454                 | 60,897                          | 1,750             | 89,101          |
| <b>a. Net Surplus / (Deficit) for Year</b>             |       | (507)                  | -                               | -                 | (507)           |
| <b>Total Comprehensive Income</b>                      |       | <b>(507)</b>           | <b>-</b>                        | <b>-</b>          | <b>(507)</b>    |
| <b>b. Transfers between Reserves</b>                   |       | 615                    | -                               | (615)             | -               |
| <b>Balance at the end of period</b>                    |       | <b>26,562</b>          | <b>60,897</b>                   | <b>1,135</b>      | <b>88,594</b>   |
| <b>2018</b>  |       |                        |                                 |                   |                 |
| <b>Balance at the end of previous reporting period</b> |       | 24,683                 | 60,897                          | 1,549             | 87,129          |
| <b>a. Net Surplus / (Deficit) for Year</b>             |       | 1,972                  | -                               | -                 | 1,972           |
| <b>Total Comprehensive Income</b>                      |       | <b>1,972</b>           | <b>-</b>                        | <b>-</b>          | <b>1,972</b>    |
| <b>b. Transfers between Reserves</b>                   |       | (201)                  | -                               | 201               | -               |
| <b>Balance at the end of period</b>                    |       | <b>26,454</b>          | <b>60,897</b>                   | <b>1,750</b>      | <b>89,101</b>   |

# Kingston District Council

## Statement of Cash Flows for the year ended 30 June 2019

| \$ '000   | Notes | 2019           | 2018           |
|---|-------|----------------|----------------|
| <b>Cash Flows from Operating Activities</b>                   |       |                |                |
| <b>Receipts</b>   |       |                |                |
| Rates Receipts  |       | 4,655          | 4,333          |
| Statutory Charges   |       | 78             | 62             |
| User Charges  |       | 751            | 725            |
| Grants, Subsidies and Contributions (operating purpose)       |       | 1,247          | 962            |
| Investment Receipts   |       | 66             | 48             |
| Reimbursements  |       | 297            | 180            |
| Other Receipts  |       | 662            | 423            |
| <b>Payments</b>   |       |                |                |
| Payments to Employees   |       | (2,057)        | (1,717)        |
| Payments for Materials, Contracts & Other Expenses            |       | (3,884)        | (3,678)        |
| Finance Payments  |       | (128)          | (28)           |
| <b>Net Cash provided by (or used in) Operating Activities</b> |       | <b>1,687</b>   | <b>1,310</b>   |
| <b>Cash Flows from Investing Activities</b>                   |       |                |                |
| <b>Receipts</b>   |       |                |                |
| Amounts Received Specifically for New/Upgraded Assets         |       | 497            | 2,271          |
| Sale of Replaced Assets                                       |       | 145            | 51             |
| Repayments of Loans by Community Groups                       |       | 333            | 328            |
| <b>Payments</b>   |       |                |                |
| Expenditure on Renewal/Replacement of Assets                  |       | (1,352)        | (797)          |
| Expenditure on New/Upgraded Assets                            |       | (1,221)        | (4,018)        |
| Loans Made to Community Groups                                |       | -              | (1,582)        |
| <b>Net Cash provided by (or used in) Investing Activities</b> |       | <b>(1,598)</b> | <b>(3,747)</b> |
| <b>Cash Flows from Financing Activities</b>                   |       |                |                |
| <b>Receipts</b>   |       |                |                |
| Proceeds from Borrowings                                      |       | -              | 2,363          |
| <b>Payments</b>   |       |                |                |
| Repayments of Borrowings                                      |       | (377)          | (80)           |
| <b>Net Cash provided by (or used in) Financing Activities</b> |       | <b>(377)</b>   | <b>2,283</b>   |
| <b>Net Increase (Decrease) in Cash Held</b>                   |       | <b>(288)</b>   | <b>(154)</b>   |
| plus Cash & Cash Equivalents at beginning of period           |       | 2,925          | 3,079          |
| <b>Cash &amp; Cash Equivalents at end of period</b>           |       | <b>2,637</b>   | <b>2,925</b>   |

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

| Note    | Details  | Page   |
|---------|--|--------|
| 1       | Significant Accounting Policies  | 8      |
| 2       | Income   | 16     |
| 3       | Expenses   | 18     |
| 4       | Asset Disposal & Fair Value Adjustments                                | 20     |
|         | <b>Current Assets</b>  |        |
| 5a      | Cash & Cash Equivalents  | 20     |
| 5b      | Trade & Other Receivables  | 20     |
| 5c      | Inventories  | 20     |
|         | <b>Non-Current Assets</b>  |        |
| 6a      | Financial Assets   | 21     |
| 6b      | Other Non-Current Assets   | 21     |
|         | <b>Fixed Assets</b>  |        |
| 7a (i)  | Infrastructure, Property, Plant & Equipment                            | 22     |
| 7a (ii) | Investment Property  | 22 n/a |
| 7b      | Valuation of Infrastructure, Property, Plant & Equipment               | 23     |
|         | <b>Liabilities</b>   |        |
| 8a      | Trade & Other Payables   | 26     |
| 8b      | Borrowings   | 26     |
| 8c      | Provisions   | 26     |
|         | <b>Reserves</b>  |        |
| 9a      | Asset Revaluation Reserve  | 26     |
| 9b      | Other Reserves   | 27     |
| 10      | Assets Subject to Restrictions   | 28 n/a |
| 11      | Reconciliation to Statement of Cashflows                               | 28     |
| 12a     | Functions  | 30     |
| 12b     | Components of Functions  | 31     |
| 13      | Financial Instruments  | 32     |
| 14      | Commitments for Expenditure  | 36     |
| 15      | Financial Indicators   | 37     |
| 16      | Uniform Presentation of Finances                                       | 39     |
| 17      | Operating Leases   | 39 n/a |
| 18      | Superannuation   | 40     |
| 19      | Interests in Other Entities  | 41 n/a |
| 20      | Non Current Assets Held for Sale & Discontinued Operations             | 41 n/a |
| 21      | Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet | 41     |
| 22      | Events After the Balance Sheet Date                                    | 42     |
| 23      | Related Party Transactions   | 42     |

n/a - not applicable



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies

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

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

**1 Basis of Preparation**

**1.1 Compliance with Australian Accounting Standards**

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 22 October 2019.

**1.2 Historical Cost Convention**

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

**1.3 Critical Accounting Estimates**

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

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

**1.4 Rounding**

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

**2 The Local Government Reporting Entity**

Kingston District Council is incorporated under the South Australian *Local Government Act 1999* and

has its principal place of business at 29 Holland Street, Kingston SA. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

**3 Income Recognition**

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

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

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

|         | Cash<br>Payment<br>Received | Annual<br>Allocation | Difference  |
|---------|-----------------------------|----------------------|-------------|
| 2016/17 | \$1,205,360                 | \$781,896            | + \$423,464 |
| 2017/18 | \$1,207,314                 | \$782,722            | + \$424,592 |
| 2018/19 | \$785,677                   | \$363,769            | + \$421,908 |

In 2018/19 council received two years of supplementary local roads in advance.

|         | Cash<br>Payment<br>Received | Annual<br>Allocation | Difference  |
|---------|-----------------------------|----------------------|-------------|
| 2018/19 | \$382,308                   | \$127,436            | + \$254,872 |

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 1. Summary of Significant Accounting Policies (continued)

results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

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

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

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

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

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

#### 5 Inventories

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

##### 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 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.

#### 6 Infrastructure, Property, Plant & Equipment

##### 6.1 Initial Recognition

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

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

##### 6.2 Materiality

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

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

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.

|                                      |          |
|--------------------------------------|----------|
| Plant, Furniture & Equipment         | \$10,000 |
| Buildings                            | \$10,000 |
| Park Furniture & Ancillary           | \$10,000 |
| Civil Infrastructure                 | \$10,000 |
| Recreational                         | \$10,000 |
| Stormwater Drainage                  | \$10,000 |
| Marine Structures                    | \$10,000 |
| Sewer Mains                          | \$10,000 |
| Kerbs                                | \$10,000 |
| Pathways                             | \$10,000 |
| Roadways                             | \$10,000 |
| Car Parks                            | \$10,000 |
| Bridges & Major Culverts             | \$10,000 |
| Sewer Pump Station & Treatment Plant | \$10,000 |

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 |
| Dredge Hull & Structure         | 50 years      |
| Dredge mechanical               | 20 years      |
| Support vessel hull & structure | 30 years      |
| Support vessel mechanical       | 10 years      |

*Building*

|                     |                    |
|---------------------|--------------------|
| Structure           | 80 to 100 years    |
| Sub- Structure      | 80,85 to 100 years |
| Roof                | 65 years           |
| Fitout & Fittings   | 15 to 20 years     |
| Floor coverings     | 10 to 20 years     |
| Electrical Services | 20 years           |
| Mechanical Services | 30 years           |
| Security Services   | 40 years           |
| Transport Services  | 20 years           |

*Park Furniture & Ancillary*

|             |                |
|-------------|----------------|
| Bins        | 10 to 15 years |
| Benches     | 15 years       |
| Picnic Sets | 30 years       |
| BBQ         | 20 years       |

*Civil Infrastructure*

|                      |                |
|----------------------|----------------|
| Structures           | 40 to 80 years |
| Lighting             | 40 years       |
| Miscellaneous Assets | 25 to 40 years |

*Recreational*

|                |          |
|----------------|----------|
| Play Equipment | 25 years |
|----------------|----------|

*Stormwater Drainage*

|             |           |
|-------------|-----------|
| Sump Bores  | 80 years  |
| Pipes       | 100 years |
| Pits        | 80 years  |
| Weir Boards | 70 years  |

*Marine Structures*

|                  |           |
|------------------|-----------|
| (Piers) Pontoons | 30 years  |
| Boat Ramps       | 60 years  |
| Sea Walls        | 250 years |
| Pathways         | 100 years |
| Groynes          | 100 years |

*Sewer Pump Station & Treatment Plant*

|            |                |
|------------|----------------|
| Pumps      | 15 to 20 years |
| Pipework   | 50 years       |
| Valves     | 25 years       |
| Fittings   | 5 to 80 years  |
| Structure  | 20 to 80 years |
| Lagoons    | 100 years      |
| Irrigation | 15 to 80 years |

*Sewer Mains*

|       |          |
|-------|----------|
| Mains | 80 years |
|-------|----------|

*Kerbs*

|      |          |
|------|----------|
| Item | 80 years |
|------|----------|

*Pathways*

|         |           |
|---------|-----------|
| Surface | 100 years |
|---------|-----------|



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

|                                     |                |
|-------------------------------------|----------------|
| <i>Roadways</i>                     |                |
| Formation                           | 1000 years     |
| Unsealed Pavement                   | 20 years       |
| Sealed Pavement & Sub Base          | 250 years      |
| Sealed Pavement Base                | 100 years      |
| Surface                             | 20 to 30 years |
| <i>Car Parks</i>                    |                |
| Pavement                            | 100 years      |
| Surface                             | 20 years       |
| <i>Bridges &amp; Major Culverts</i> |                |
| Structure                           | 80 years       |
| Surface                             | 50 years       |
| Rails                               | 50 years       |

**6.5 Impairment**

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

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

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

**6.6 Borrowing Costs**

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

**7 Payables**

**7.1 Goods & Services**

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received.

Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

**7.2 Payments Received in Advance & Deposits**

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

**8 Borrowings**

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

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

**9 Employee Benefits**

**9.1 Salaries, Wages & Compensated Absences**

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

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

Weighted avg. discount rate      1.035% (2018, 1.500%)  
Weighted avg. settlement period   1 years (2018, 1 years)

**9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme

### Note 1. Summary of Significant Accounting Policies (continued)

has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

#### 10 Provisions for Reinstatement, Restoration and Rehabilitation

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

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

#### 11 Leases

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

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

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

#### 12 Construction Contracts

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

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

#### 13 Equity Accounted Council Businesses

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

#### 14 GST Implications

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

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

#### 15 New accounting standards and UIG interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB)

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 1. Summary of Significant Accounting Policies (continued)

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.

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

AASB 7 Financial Instruments - Disclosures and AASB 9 Financial Instruments commenced from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in Note 13 Financial Instruments have changed, there are no changes to the amounts disclosed.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which will commence from 1 July 2019, affect the timing with which revenues, particularly special purpose grants, are recognised. Amounts received in relation to contracts with sufficiently specific performance obligations will in future only be recognised as these obligations are fulfilled. In these Statements, the sum of \$334,000 has been recognised as revenue, in accordance with the current Standards, but would in future be recorded as a liability "Amounts in Advance" until the performance obligations have been fulfilled.

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for non-material amounts - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2019, Council has no leases to which this treatment will need to be applied.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

**Changes to standards are expected to have the following impact upon Council's future financial statements:**

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

- AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities.

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will 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 these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

impact upon the recognition of other fees and charges.

Based on Councils assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

- Revenue decrease of \$334,000 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).
- There would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.
- Net result would be lower on initial application as a result of decreased revenue. A range of new disclosures will also be required by the new standards in respect of the council's revenue.

**Transition method**

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

- AASB 16 Leases – The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

**Leases in which the Council is a lessee**

The Council will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Council's finance leases.

Based on Councils assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts:

- Lease assets and financial liabilities on the balance sheet will increase by \$8,842 and \$8,998 respectively (based on the facts available to Council at the date of assessment).
- There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- Net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

**Leases in which the Group is a lessor**

No significant impact is expected for other leases in which the Council is a lessor

**Peppercorn Leases**

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 1. Summary of Significant Accounting Policies (continued)

payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

#### Transition method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

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

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

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

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 1059 Service Concession Arrangements: Grantors (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment

Property, Annual Improvements 2014-2016 Cycle and Other Amendments

- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 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
- 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

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

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

#### 16 Comparative Figures

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

#### 17 Disclaimer

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



# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 2. Income

| \$ '000  | Notes | 2019         | 2018         |
|--|-------|--------------|--------------|
| <b>(a). Rates Revenues</b>                           |       |              |              |
| <b>General Rates</b>                                 |       |              |              |
| General Rates  |       | 3,738        | 3,503        |
| Less: Mandatory Rebates                              |       | (29)         | (27)         |
| Less: Discretionary Rebates, Remissions & Write Offs |       | (27)         | (20)         |
| <b>Total General Rates</b>                           |       | <b>3,682</b> | <b>3,456</b> |
| <b>Other Rates (Including Service Charges)</b>       |       |              |              |
| Natural Resource Management Levy                     |       | 228          | 228          |
| Waste Collection                                     |       | 352          | 270          |
| Community Wastewater Management Systems              |       | 402          | 376          |
| <b>Total Other Rates</b>                             |       | <b>982</b>   | <b>874</b>   |
| <b>Other Charges</b>                                 |       |              |              |
| Penalties for Late Payment                           |       | 12           | 10           |
| Legal & Other Costs Recovered                        |       | 10           | 6            |
| <b>Total Other Charges</b>                           |       | <b>22</b>    | <b>16</b>    |
| <b>Total Rates Revenues</b>                          |       | <b>4,686</b> | <b>4,346</b> |
| <b>(b). Statutory Charges</b>                        |       |              |              |
| Development Act Fees                                 |       | 19           | 14           |
| Town Planning Fees                                   |       | 24           | 22           |
| Health & Septic Tank Inspection Fees                 |       | 7            | 1            |
| Animal Registration Fees & Fines                     |       | 21           | 19           |
| Other Registration Fees                              |       | 1            | -            |
| Other  |       | 6            | 6            |
| <b>Total Statutory Charges</b>                       |       | <b>78</b>    | <b>62</b>    |
| <b>(c). User Charges</b>                             |       |              |              |
| Cemetery/Crematoria Fees                             |       | 21           | 26           |
| Kingston Foreshore Caravan Park                      |       | 573          | 543          |
| Hall & Equipment Hire                                |       | 7            | 6            |
| Property Lease                                       |       | 11           | 11           |
| Sales - General                                      |       | 2            | 2            |
| Sundry   |       | 4            | 4            |
| Sangarb Dump Fees                                    |       | 11           | 14           |
| Boat Ramp Fees                                       |       | 28           | 19           |
| Aero Fees  |       | 7            | 7            |
| Caravan Fees   |       | -            | 4            |
| Hire Fees  |       | 4            | 7            |
| Truck Wash Income                                    |       | 15           | 12           |
| <b>Total User Charges</b>                            |       | <b>683</b>   | <b>655</b>   |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 2. Income (continued)

| \$ '000  | Notes | 2019         | 2018         |
|--|-------|--------------|--------------|
| <b>(d). Investment Income</b>  |       |              |              |
| Interest on Investments  |       |              |              |
| - Local Government Finance Authority   |       | 30           | 45           |
| - Loans to Community Groups  |       | 36           | 3            |
| <b>Total Investment Income</b>   |       | <b>66</b>    | <b>48</b>    |
| <b>(e). Reimbursements</b>   |       |              |              |
| Private Works  |       | 36           | 7            |
| Joint Undertakings   |       | 100          | 107          |
| Diesel Fuel Rebate   |       | 53           | 19           |
| Resource Sharing Agreements  |       | 29           | 16           |
| Other  |       | 19           | 5            |
| <b>Total Reimbursements</b>  |       | <b>237</b>   | <b>154</b>   |
| <b>(f). Other Income</b>   |       |              |              |
| Rebates Received   |       | 33           | 19           |
| Sundry   |       | 4            | 22           |
| Risk Services Award  |       | 9            | 15           |
| Waste Transfer Station   |       | 6            | 7            |
| <b>Total Other Income</b>  |       | <b>52</b>    | <b>63</b>    |
| <b>(g). Grants, Subsidies, Contributions</b>                                       |       |              |              |
| Amounts Received Specifically for New or Upgraded Assets                           |       | 497          | 2,271        |
| <b>Total Amounts Received Specifically for New or Upgraded Assets</b>              |       | <b>497</b>   | <b>2,271</b> |
| Other Grants, Subsidies and Contributions  |       | 196          | 127          |
| Untied - Financial Assistance Grant  |       | 364          | 358          |
| Roads to Recovery  |       | -            | 305          |
| Sundry   |       | 1            | 202          |
| Individually Significant Item - Additional Grants Commission Payment (refer below) |       | 677          | 424          |
| <b>Total Other Grants, Subsidies and Contributions</b>                             |       | <b>1,238</b> | <b>1,416</b> |
| <b>Total Grants, Subsidies, Contributions</b>                                      |       | <b>1,735</b> | <b>3,687</b> |
| The functions to which these grants relate are shown in Note 12.                   |       |              |              |
| <b>(i) Sources of grants</b>   |       |              |              |
| Commonwealth Government  |       | -            | 543          |
| State Government   |       | 1,666        | 1,383        |
| Other  |       | 69           | 1,761        |
| <b>Total</b>   |       | <b>1,735</b> | <b>3,687</b> |
| <b>(ii) Individually Significant Items</b>   |       |              |              |
| Grant Commission (FAG) Grant Recognised as Income                                  |       | 422          | 424          |
| Other  |       | 255          | -            |
| Supplementary Local Roads- received 2 years in advance                             |       |              |              |

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 2. Income (continued)

| \$ '000   | Notes | 2019       | 2018     |
|---|-------|------------|----------|
| <b>(h). Conditions over Grants &amp; Contributions</b>  |       |            |          |
| Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows: |       |            |          |
| <b>Unexpended at the close of the previous reporting period</b>   |       | -          | -        |
| <i>Plus:</i>  |       |            |          |
| <i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>   |       |            |          |
| Other -Main Street Upgrade  |       | 334        | -        |
| <b>Subtotal</b>   |       | <b>334</b> | <b>-</b> |
| <b>Unexpended at the close of this reporting period</b>   |       | <b>334</b> | <b>-</b> |
| <b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>  |       | <b>334</b> | <b>-</b> |

#### Note 3. Expenses

##### (a). Employee Costs

|   |              |              |
|---|--------------|--------------|
| Salaries and Wages  | 1,647        | 1,341        |
| Employee Leave Expense  | 244          | 199          |
| Superannuation - Defined Contribution Plan Contributions                    | 138          | 126          |
| Superannuation - Defined Benefit Plan Contributions                         | 25           | 25           |
| Workers' Compensation Insurance   | 46           | 47           |
| Other   | 17           | 22           |
| Less: Capitalised and Distributed Costs                                     | (54)         | (63)         |
| <b>Total Operating Employee Costs</b>                                       | <b>2,063</b> | <b>1,697</b> |
| Total Number of Employees (full time equivalent at end of reporting period) | 21           | 21           |

##### (b). Materials, Contracts and Other Expenses

###### (i) Prescribed Expenses

|                                       |            |            |
|---------------------------------------|------------|------------|
| Auditor's Remuneration                |            |            |
| - Auditing the Financial Reports      | 17         | 15         |
| Elected Members' Expenses             | 112        | 106        |
| Election Expenses                     | 12         | 1          |
| <b>Subtotal - Prescribed Expenses</b> | <b>141</b> | <b>122</b> |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 3. Expenses (continued)

| \$ '000   | Notes | 2019         | 2018         |
|---|-------|--------------|--------------|
| <b>(b). Materials, Contracts and Other Expenses (continued)</b> |       |              |              |
| <b>(ii) Other Materials, Contracts and Expenses</b>             |       |              |              |
| Contractors   |       | 1,699        | 1,285        |
| Energy  |       | 134          | 115          |
| Maintenance   |       | 75           | 143          |
| Legal Expenses  |       | 16           | 40           |
| Levies Paid to Government - NRM levy                            |       | 226          | 228          |
| Levies - Other  |       | 14           | 35           |
| Parts, Accessories & Consumables                                |       | 81           | 115          |
| Professional Services   |       | 66           | 141          |
| Sundry  |       | 274          | 222          |
| Joint Undertakings  |       | 100          | 106          |
| Insurance   |       | 150          | 119          |
| Fuel  |       | 204          | 84           |
| Contributions   |       | 89           | 147          |
| Water   |       | 49           | 32           |
| Fringe Benefit Tax  |       | 36           | 45           |
| Other   |       | 16           | 26           |
| <b>Subtotal - Other Material, Contracts &amp; Expenses</b>      |       | <b>3,229</b> | <b>2,883</b> |
| <b>Total Materials, Contracts and Other Expenses</b>            |       | <b>3,370</b> | <b>3,005</b> |
| <b>(c). Depreciation, Amortisation and Impairment</b>           |       |              |              |
| <b>(i) Depreciation and Amortisation</b>                        |       |              |              |
| Buildings & Other Structures                                    |       | 387          | 379          |
| Infrastructure  |       | 1,064        | 1,066        |
| - CWMS  |       | 130          | 129          |
| - Marine  |       | 120          | 118          |
| Plant & Equipment   |       | 282          | 196          |
| Office Equipment  |       | 7            | 7            |
| <b>Subtotal</b>   |       | <b>1,990</b> | <b>1,895</b> |
| <b>(ii) Impairment</b>  |       |              |              |
| Nil   |       |              |              |
| <b>Total Depreciation, Amortisation and Impairment</b>          |       | <b>1,990</b> | <b>1,895</b> |
| <b>(d). Finance Costs</b>                                       |       |              |              |
| Interest on Borrowings  |       | 114          | 31           |
| Other   |       | 7            | 6            |
| <b>Total Finance Costs</b>                                      |       | <b>121</b>   | <b>37</b>    |

# Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 4. Asset Disposal & Fair Value Adjustments

| \$ '000   | Notes | 2019         | 2018         |
|---|-------|--------------|--------------|
| <b>Infrastructure, Property, Plant &amp; Equipment</b>      |       |              |              |
| <b>(i) Assets Renewed or Directly Replaced</b>              |       |              |              |
| Proceeds from Disposal                                      |       | 145          | 51           |
| Less: Carrying Amount of Assets Sold                        |       | (645)        | (460)        |
| <b>Gain (Loss) on Disposal</b>                              |       | <b>(500)</b> | <b>(409)</b> |
| <b>Net Gain (Loss) on Disposal or Revaluation of Assets</b> |       | <b>(500)</b> | <b>(409)</b> |

## Note 5. Current Assets

### (a). Cash & Cash Equivalents

|  |              |              |
|--|--------------|--------------|
| Cash on Hand at Bank                     | 342          | 453          |
| Deposits at Call                         | 2,295        | 2,472        |
| <b>Total Cash &amp; Cash Equivalents</b> | <b>2,637</b> | <b>2,925</b> |

### (b). Trade & Other Receivables

|  |            |              |
|--|------------|--------------|
| Rates - General & Other                    | 150        | 119          |
| Accrued Revenues                           | 15         | 14           |
| Debtors - General                          | 412        | 463          |
| GST Recoupment                             | -          | 303          |
| Prepayments                                | 6          | 11           |
| Loans to Community Organisations           | 332        | 333          |
| <b>Total Trade &amp; Other Receivables</b> | <b>915</b> | <b>1,243</b> |

### (c). Inventories

|                          |           |           |
|--------------------------|-----------|-----------|
| Stores & Materials       | 91        | 21        |
| Trading Stock            | 7         | 8         |
| <b>Total Inventories</b> | <b>98</b> | <b>29</b> |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 6. Non-Current Assets

| \$ '000   | Notes | 2019         | 2018         |
|---|-------|--------------|--------------|
| <b>(a). Financial Assets</b>                                      |       |              |              |
| <b>Receivables</b>  |       |              |              |
| Loans to Community Organisations and Other External Organisations |       | 3,504        | 3,836        |
| <b>Total Receivables</b>  |       | <b>3,504</b> | <b>3,836</b> |
| <b>Total Financial Assets</b>                                     |       | <b>3,504</b> | <b>3,836</b> |

2017: In 2005/06 Council purchased some land on behalf of Cape Jaffa Developments. Council took out a loan for the Cost price of this land. The intention of this transaction was for Council to be an intermediary in this process by borrowing the funds and lending this to Cape Jaffa Developments. Over time as part of Councils rolling revaluation process this land has been revalued resulting in the asset in Councils balance sheet being significantly overvalued. As per the Agreements in place Council does not receive any proceeds from the Sale of the blocks at Cape Jaffa.

As a result of this it has been determined to restate the Financial Statements to correctly reflect the value receivable from Cape Jaffa Developments being the Loan that Council took out with the Local Government Finance Authority.

### **(b). Other Non-Current Assets**

|                                       |  |            |              |
|---------------------------------------|--|------------|--------------|
| Capital Works-in-Progress             |  | 314        | 3,709        |
| <b>Total Other Non-Current Assets</b> |  | <b>314</b> | <b>3,709</b> |

Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 7a (i). Infrastructure, Property, Plant & Equipment

|  | Fair Value Level | as at 30/6/2018 |               |               |                | Asset Movements during the Reporting Period |              |                        |                                |               |               | as at 30/6/2019 |                |               |  |
|--|------------------|-----------------|---------------|---------------|----------------|---|--------------|------------------------|--------------------------------|---------------|---------------|-----------------|----------------|---------------|--|
|  |                  | At Fair Value   | At Cost       | Acc. Dep'n    | Carrying Value | Asset Additions                             |              | WDV of Asset Disposals | Depreciation Expense (Note 3c) | At Fair Value | At Cost       | Acc. Dep'n      | Carrying Value |               |  |
|  |                  |                 |               |               |                | New / Upgrade                               | Renewals     |                        |                                |               |               |                 |                |               |  |
| \$ '000  |                  |                 |               |               |                |   |              |                        |                                |               |               |                 |                |               |  |
| Land   | 2                | -               | 9,324         | -             | 9,324          | -   | -            | -                      | -                              | -             | -             | 9,324           | -              | 9,324         |  |
| Buildings & Other Structures                                 | 3                | 16,291          | 485           | 5,921         | 10,855         | 43  | 19           | (21)                   | (387)                          | 16,262        | 6,300         | 10,509          | 6,300          | 10,509        |  |
| Infrastructure   | 3                | 46,335          | 507           | 7,818         | 39,024         | -   | 707          | (376)                  | (1,064)                        | 45,752        | 8,675         | 38,291          | 8,675          | 38,291        |  |
| - CWMS   |                  | 8,162           | 25            | 1,723         | 6,464          | 39  | 67           | (20)                   | (130)                          | 8,131         | 1,841         | 6,420           | 1,841          | 6,420         |  |
| - Marine   |                  | 17,723          | 63            | 1,725         | 16,061         | 1,386                                       | -            | -                      | (120)                          | 17,724        | 1,449         | 17,327          | 1,449          | 17,327        |  |
| Plant & Equipment  |                  | 3,351           | 149           | 1,580         | 1,920          | 3,192                                       | 515          | (228)                  | (282)                          | 2,850         | 1,589         | 5,117           | 1,589          | 5,117         |  |
| Office Equipment   |                  | 37              | -             | 14            | 23             | -   | -            | -                      | (7)                            | 37            | 21            | 16              | 21             | 16            |  |
| <b>Total Infrastructure, Property, Plant &amp; Equipment</b> |                  | <b>91,899</b>   | <b>10,553</b> | <b>18,781</b> | <b>83,671</b>  | <b>4,660</b>                                | <b>1,308</b> | <b>(645)</b>           | <b>(1,990)</b>                 | <b>90,756</b> | <b>20,272</b> | <b>87,004</b>   | <b>20,272</b>  | <b>87,004</b> |  |
| <b>Comparatives</b>  |                  | <b>92,741</b>   | <b>9,324</b>  | <b>17,267</b> | <b>84,798</b>  | <b>464</b>                                  | <b>765</b>   | <b>(460)</b>           | <b>(1,895)</b>                 | <b>91,899</b> | <b>18,781</b> | <b>83,671</b>   | <b>18,781</b>  | <b>83,671</b> |  |

Note 7a (ii). Investment Property

Nil



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

\$ '000

### 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

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

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

Buildings previously classified as level 3 have been reclassified as level 2 as the latest revaluation has used unobservable inputs, such as estimates of quantities of materials and labour, residual values and useful lives, in determining the valuation.

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

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

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



**Note 7b. Valuation of Infrastructure, Property, Plant & Equipment &  
Investment Property (continued)**

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\$ '000

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**Valuation of Assets (continued)**

**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.

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

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

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

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

**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.

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

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they 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.

# Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

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

\$ '000

### Valuation of Assets (continued)

#### Transition to AASB 13 - Fair Value Measurement (continued)

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

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

#### Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.

#### Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2017 by Assetic Australia Pty Ltd.

#### Infrastructure

##### Transportation Assets

Transport Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd.

##### Civil Assets

Civil Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd.

##### Stormwater Drainage

Stormwater Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd.

##### Community Wastewater Management System Infrastructure

Community Wastewater Management System Assets were revalued as at 30 June 2017 by Assetic Australia Pty Ltd.

#### Plant & Equipment

These assets are recognised on the cost basis.

#### Marine Structures

New assets discovered via revaluation and asset management system upgrade process and reclassification of some buildings by the Valuer.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 8. Liabilities

| \$ '000                                  | Notes | 2019       |             | 2018       |             |
|--|-------|------------|-------------|------------|-------------|
|  |       | Current    | Non Current | Current    | Non Current |
| <b>(a). Trade and Other Payables</b>     |       |            |             |            |             |
| Goods & Services                         |       | 318        | -           | 379        | -           |
| Payments Received in Advance             |       | 18         | -           | 13         | -           |
| Accrued Expenses - Employee Entitlements |       | 15         | -           | 18         | -           |
| Accrued Expenses - Finance Costs         |       | 60         | -           | 67         | -           |
| Accrued Expenses - Other                 |       | 12         | -           | 17         | -           |
| <b>Total Trade and Other Payables</b>    |       | <b>423</b> | <b>-</b>    | <b>494</b> | <b>-</b>    |

#### (b). Borrowings

|                         |            |              |            |              |
|-------------------------|------------|--------------|------------|--------------|
| Borrowings              | 378        | 4,688        | 377        | 5,066        |
| <b>Total Borrowings</b> | <b>378</b> | <b>4,688</b> | <b>377</b> | <b>5,066</b> |

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

#### (c). Provisions

|   |            |           |            |           |
|---|------------|-----------|------------|-----------|
| Employee Entitlements (including oncosts) | 324        | 65        | 292        | 83        |
| <b>Total Provisions</b>                   | <b>324</b> | <b>65</b> | <b>292</b> | <b>83</b> |

#### Note 9. Reserves

| \$ '000                                | 1/7/2018      | Increments<br>(Decrements) | Transfers | Impairments | 30/6/2019     |
|--|---------------|----------------------------|-----------|-------------|---------------|
| <b>(a). Asset Revaluation Reserve</b>  |               |                            |           |             |               |
| Land                                   | 5,894         | -                          | -         | -           | 5,894         |
| Buildings & Other Structures           | 12,542        | -                          | -         | -           | 12,542        |
| Infrastructure                         | 10,407        | -                          | -         | -           | 10,407        |
| - CWMS                                 | 1,460         | -                          | -         | -           | 1,460         |
| Plant & Equipment                      | 356           | -                          | -         | -           | 356           |
| Furniture & Fittings                   | 1,777         | -                          | -         | -           | 1,777         |
| Minor Plant & Equipment                | 3,783         | -                          | -         | -           | 3,783         |
| Office Equipment                       | 8,544         | -                          | -         | -           | 8,544         |
| Marine Structures                      | 16,134        | -                          | -         | -           | 16,134        |
| <b>Total Asset Revaluation Reserve</b> | <b>60,897</b> | <b>-</b>                   | <b>-</b>  | <b>-</b>    | <b>60,897</b> |
| <b>Comparatives</b>                    | <b>60,897</b> | <b>-</b>                   | <b>-</b>  | <b>-</b>    | <b>60,897</b> |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 9. Reserves (continued)

| \$ '000                        | 1/7/2018     | Tfrs to<br>Reserve | Tfrs from<br>Reserve | Other<br>Movements | 30/6/2019    |
|--------------------------------|--------------|--------------------|----------------------|--------------------|--------------|
| <b>(b). Other Reserves</b>     |              |                    |                      |                    |              |
| LSL & AL                       | 158          | -                  | (158)                | -                  | -            |
| IT & T                         | 9            | -                  | (9)                  | -                  | -            |
| Roadwork Compensation          | 136          | -                  | (136)                | -                  | -            |
| Old School Oval Upgrade        | 52           | -                  | (52)                 | -                  | -            |
| Rubble Reserve                 | 121          | -                  | (121)                | -                  | -            |
| Boat Haven / Ramp              | 44           | -                  | (44)                 | -                  | -            |
| Kingston Jetty                 | 21           | -                  | (21)                 | -                  | -            |
| Kingston CWMS                  | 760          | 13                 | -                    | -                  | 773          |
| Cape Jaffa Maintenance Reserve | 356          | 6                  | -                    | -                  | 362          |
| Kingston Grazing Committee     | 93           | -                  | (93)                 | -                  | -            |
| <b>Total Other Reserves</b>    | <b>1,750</b> | <b>19</b>          | <b>(634)</b>         | <b>-</b>           | <b>1,135</b> |
| <b>Comparatives</b>            | <b>1,549</b> | <b>201</b>         | <b>-</b>             | <b>-</b>           | <b>1,750</b> |

### 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).

#### LSL & AL

LSL & AL Reserve has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

#### IT & T

IT & T Reserve has been closed. Council's Treasury Management Policy states " that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

#### Roadwork Compensation

Roadwork Compensation has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

#### Old School Oval Upgrade

Old School Oval Reserve has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

#### Works in Progress Reserve

Works in Progress Reserve has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

#### Boat Haven / Ramp

Boat Haven / Ramp Reserve has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 9. Reserves (continued)

\$ '000

#### (b). Other Reserves (continued)

##### Kingston Jetty

Kingston Jetty Reserve has been closed. Councils Treasury Management Policy states "that council will not retain and quarantine money for a particular future purposes unless required by legislation or agreement with other parties and have therefore transferred these amounts out of dedicated reserves into council's general fund".

##### Kingston CWMS

Kingston CWMS is for future asset replacement and capital maintenance.

##### Cape Jaffa Maintenance Reserve

Cape Jaffa Maintenance Reserve is for future maintenance activities associated with Cape Jaffa Anchorage.

### Note 10. Assets Subject to Restrictions

Council does not hold any assets subject to restrictions

### Note 11. Reconciliation to Statement of Cash Flows

\$ '000

Notes

2019

2018

#### (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              | 2,637        | 2,925        |
| <b>Balances per Statement of Cash Flows</b> | <b>2,637</b> | <b>2,925</b> |

# Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 11. Reconciliation to Statement of Cash Flows

| \$ '000  | Notes | 2019         | 2018         |
|--|-------|--------------|--------------|
| <b>(b). Reconciliation of Change in Net Assets to Cash from Operating Activities</b> |       |              |              |
| Net Surplus/(Deficit)  |       | <b>(507)</b> | <b>1,972</b> |
| Non-Cash Items in Income Statements  |       |              |              |
| Depreciation, Amortisation & Impairment  |       | 1,990        | 1,895        |
| Grants for Capital Acquisitions (Treated as Investing Activity Receipts)             |       | (497)        | (2,271)      |
| Net (Gain) Loss on Disposals   |       | 500          | 409          |
|  |       | <b>1,486</b> | <b>2,005</b> |
| <b>Add (Less): Changes in Net Current Assets</b>                                     |       |              |              |
| Net (Increase)/Decrease in Receivables   |       | 327          | (669)        |
| Net (Increase)/Decrease in Inventories   |       | (69)         | 34           |
| Net Increase/(Decrease) in Trade & Other Payables                                    |       | (71)         | (39)         |
| Net Increase/(Decrease) in Unpaid Employee Benefits                                  |       | 14           | (21)         |
| <b>Net Cash provided by (or used in) operations</b>                                  |       | <b>1,687</b> | <b>1,310</b> |

### (c). Financing Arrangements

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

|                                      |     |     |
|--------------------------------------|-----|-----|
| Bank Overdrafts                      | 100 | 100 |
| Corporate Credit Cards               | 24  | 16  |
| LGFA Cash Advance Debenture Facility | 168 | 304 |

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



Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 12a. Functions

| Functions/Activities              | Income, Expenses and Assets have been directly attributed to the following Functions / Activities.<br>Details of these Functions/Activities are provided in Note 12(b). |              |              |              |              |                             |              |                           |               |   |  |
|-----------------------------------|---|--------------|--------------|--------------|--------------|-----------------------------|--------------|---------------------------|---------------|---|--|
|                                   | INCOME  |              | EXPENSES     |              |              | OPERATING SURPLUS (DEFICIT) |              | GRANTS INCLUDED IN INCOME |               | TOTAL ASSETS HELD (CURRENT & NON-CURRENT) |  |
|                                   | Actual 2019   | Actual 2018  | Actual 2019  | Actual 2018  | Actual 2019  | Actual 2018                 | Actual 2019  | Actual 2018               | Actual 2019   | Actual 2018                               |  |
| \$ '000                           | 1,114   | 1,049        | 1,289        | 1,143        | (175)        | (94)                        | -            | -                         | 7,299         | 7,362                                     |  |
| Business Undertakings             | 54  | 38           | 274          | 252          | (220)        | (214)                       | -            | -                         | 11,339        | 11,452                                    |  |
| Community Services/ Amenities     | 1   | 1            | 50           | 48           | (49)         | (47)                        | -            | -                         | -             | -   |  |
| Culture                           | 1   | 1            | 69           | 147          | (68)         | (146)                       | -            | -                         | -             | -   |  |
| Economic Development              | 298   | 299          | 344          | 406          | (46)         | (107)                       | 69           | 69                        | -             | -   |  |
| Environment                       | 64  | 22           | 2,084        | 996          | (2,020)      | (974)                       | -            | -                         | 15,112        | 15,271                                    |  |
| Recreation                        | 101   | 72           | 217          | 207          | (116)        | (135)                       | -            | -                         | -             | -   |  |
| Regulatory Services               | 4,300   | 4,239        | 206          | 216          | 4,094        | 4,023                       | 510          | 657                       | 6,616         | 6,682                                     |  |
| Administration                    | -   | -            | 27           | 25           | (27)         | (25)                        | -            | -                         | 329           | 332                                       |  |
| Public Order & Safety             | 15  | 13           | 15           | 8            | -            | 5                           | 1            | 1                         | 856           | 865                                       |  |
| Health                            | 719   | 718          | 2,411        | 2,638        | (1,692)      | (1,920)                     | 658          | 689                       | 52,921        | 53,449                                    |  |
| Transport                         | 373   | 292          | 558          | 548          | (185)        | (256)                       | -            | -                         | -             | -   |  |
| Waste Management                  |   |              |              |              |              |                             |              |                           |               |   |  |
| <b>Total Functions/Activities</b> | <b>7,040</b>  | <b>6,744</b> | <b>7,544</b> | <b>6,634</b> | <b>(504)</b> | <b>110</b>                  | <b>1,238</b> | <b>1,416</b>              | <b>94,472</b> | <b>95,413</b>                             |  |

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.

## Note 12b. Components of Functions

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\$ '000

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**The activities relating to Council functions are as follows:**

### **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.

### **CULTURE**

Library Services

### **PUBLIC ORDER & SAFETY**

Supervision of various by-laws, fire prevention, CFS and animal control, emergency services

### **HEALTH**

Food Control, operation of community health programs and health centre

### **COMMUNITY SERVICES/ AMENITIES**

Maintenance of halls, Senior Citizens centre, Other community support, public toilets, maintenance of cemeteries

### **ENVIRONMENT**

Street cleaning and lighting, Stormwater drainage

### **ECONOMIC DEVELOPMENT**

Tourism, private works

### **COMMUNITY AMENITIES**

Public toilets, maintenance of cemeteries

### **REGULATORY SERVICES**

Building Act requirements, dog control, health inspection, other regulatory services

### **BUSINESS UNDERTAKINGS**

Effluent drainage, Land Development, Caravan parks, Truckwash

### **WASTE MANAGEMENT**

Rubbish Collection Services, Green waste, Waste Transfer Station operation

### **TRANSPORT**

Construction and maintenance of roads, bridges, footpaths, parking and signs, aerodromes, plant & depot operations

### **RECREATION**

Parks and gardens, recreation and sporting venues, Foreshore/ Marine operations, museum, sport and recreation



## Note 13. Financial Instruments

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\$ '000

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### 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 1.5% and 1.5% (2018: 1.5% and 1.75%).

##### Carrying Amount:

Approximates fair value due to the short term to maturity.

#### Receivables

##### Rates & Associated Charges

(including legals & penalties for late payment)

##### 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 0.5500% (2018: 0.5625%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

##### Carrying Amount:

Approximates fair value (after deduction of any allowance).

#### Receivables

##### Fees & Other Charges

##### Accounting Policy:

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

##### Terms & Conditions:

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

##### Carrying Amount:

Approximates fair value (after deduction of any allowance).

Note 13. Financial Instruments (continued)

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\$ '000

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**Recognised Financial Instruments**

**Receivables**

**Other Levels of Government**

**Accounting Policy:**

Carried at nominal value.

**Terms & Conditions:**

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

**Carrying Amount:**

Approximates fair value.

**Receivables**

**Retirement Home Contributions**

**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:**

Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

**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.

**Note 13. Financial Instruments (continued)**

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\$ '000

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**Recognised Financial Instruments**

**Liabilities**

**Retirement Home Contributions**

**Accounting Policy:**

To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

**Terms & Conditions:**

Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.

**Carrying Amount:**

Approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.

**Liabilities**

**Interest Bearing Borrowings**

**Accounting Policy:**

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

**Terms & Conditions:**

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 3.35% and 6.5% (2018: 3.5% and 6.5%).

**Carrying Amount:**

Approximates fair value.

**Liabilities**

**Finance Leases**

**Accounting Policy:**

Accounted for in accordance with AASB 117.

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 13. Financial Instruments (continued)

| \$ '000                            | Due<br>< 1 year | Due > 1 year<br>& ≤ 5 years | Due<br>> 5 years | Total Contractual<br>Cash Flows | Carrying<br>Values |
|------------------------------------|-----------------|-----------------------------|------------------|---------------------------------|--------------------|
| <b>2019</b>                        |                 |                             |                  |                                 |                    |
| <b>Financial Assets</b>            |                 |                             |                  |                                 |                    |
| Cash & Equivalents                 | 2,637           | -                           | -                | 2,637                           | 2,637              |
| Receivables                        | 909             | -                           | 3,504            | 4,413                           | 4,413              |
| <b>Total Financial Assets</b>      | <b>3,546</b>    | <b>-</b>                    | <b>3,504</b>     | <b>7,050</b>                    | <b>7,050</b>       |
| <b>Financial Liabilities</b>       |                 |                             |                  |                                 |                    |
| Payables                           | 405             | -                           | -                | 405                             | 405                |
| Current Borrowings                 | 568             | -                           | -                | 568                             | 378                |
| Non-Current Borrowings             | -               | 5,420                       | 371              | 5,791                           | 4,688              |
| <b>Total Financial Liabilities</b> | <b>973</b>      | <b>5,420</b>                | <b>371</b>       | <b>6,764</b>                    | <b>5,471</b>       |

| \$ '000                            | Due<br>< 1 year | Due > 1 year<br>& ≤ 5 years | Due<br>> 5 years | Total Contractual<br>Cash Flows | Carrying<br>Values |
|------------------------------------|-----------------|-----------------------------|------------------|---------------------------------|--------------------|
| <b>2018</b>                        |                 |                             |                  |                                 |                    |
| <b>Financial Assets</b>            |                 |                             |                  |                                 |                    |
| Cash & Equivalents                 | 2,925           | -                           | -                | 2,925                           | 2,925              |
| Receivables                        | 1,232           | -                           | 3,836            | 5,068                           | 5,068              |
| <b>Total Financial Assets</b>      | <b>4,157</b>    | <b>-</b>                    | <b>3,836</b>     | <b>7,993</b>                    | <b>7,993</b>       |
| <b>Financial Liabilities</b>       |                 |                             |                  |                                 |                    |
| Payables                           | 476             | -                           | -                | 476                             | 476                |
| Current Borrowings                 | 379             | -                           | -                | 379                             | 377                |
| Non-Current Borrowings             | -               | 1,683                       | 3,979            | 5,662                           | 5,066              |
| <b>Total Financial Liabilities</b> | <b>855</b>      | <b>1,683</b>                | <b>3,979</b>     | <b>6,517</b>                    | <b>5,919</b>       |

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

|                      | 30 June 2019                  |                   | 30 June 2018                  |                   |
|----------------------|-------------------------------|-------------------|-------------------------------|-------------------|
|                      | Weighted Avg<br>Interest Rate | Carrying<br>Value | Weighted Avg<br>Interest Rate | Carrying<br>Value |
| Other Variable Rates | 4.34%                         | 2,225             | 4.32%                         | 2,596             |
| Fixed Interest Rates | 3.35%                         | 2,841             | 3.75%                         | 2,847             |
|                      |                               | <b>5,066</b>      |                               | <b>5,443</b>      |

**Net Fair Value**

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

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 13. Financial Instruments (continued)

\$ '000

#### Risk Exposures

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

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

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

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

### Note 14. Commitments for Expenditure

\$ '000

Notes

2019

2018

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

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Audit Services                  | -            | 18           |
| Recyclable Collection           | 86           | 172          |
| Rubbish Collection              | 231          | 462          |
| Lawn Mowing                     | 90           | 110          |
| Waste Transfer Station          | 36           | 64           |
| Employee Remuneration Contracts | 956          | 1,476        |
| Other Maintenance Contracts     | 65           | 20           |
| Accounting Services             | 10           | 10           |
| Caravan Park Management         | 440          | 110          |
|                                 | <b>1,914</b> | <b>2,442</b> |

#### **These expenditures are payable:**

|  |              |              |
|--|--------------|--------------|
| Not later than one year                        | 951          | 1,121        |
| Later than one year and not later than 5 years | 963          | 1,321        |
| Later than 5 years                             | -            | -            |
|  | <b>1,914</b> | <b>2,442</b> |

# Kingston District Council

## Notes to and forming part of the Financial Statements for the year ended 30 June 2019

### Note 15. Financial Indicators

| \$ '000 | Amounts | Indicator | Prior Periods |      |
|---------|---------|-----------|---------------|------|
|         | 2019    | 2019      | 2018          | 2017 |

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      | (504) | (7%) | 2% | 4% |
| Total Operating Income | 7,040 |      |    |    |

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

#### 2. Net Financial Liabilities Ratio

|                           |         |       |       |       |
|---------------------------|---------|-------|-------|-------|
| Net Financial Liabilities | (1,178) | (17%) | (25%) | (31%) |
| Total Operating Income    | 7,040   |       |       |       |

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

#### Adjustments to Ratios

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

|   |  |       |       |       |
|---|--|-------|-------|-------|
| <b>Adjusted Operating Surplus Ratio</b>         |  | (19%) | (5%)  | (3%)  |
| <b>Adjusted Net Financial Liabilities Ratio</b> |  | (19%) | (25%) | (31%) |

#### 3. Asset Renewal Funding Ratio

|   |       |     |     |     |
|---|-------|-----|-----|-----|
| Net Asset Renewals  | 1,207 | 90% | 57% | 57% |
| Infrastructure & Asset Management Plan required expenditure | 1,341 |     |     |     |

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



Note 15. Financial Indicators - Graphs (continued)



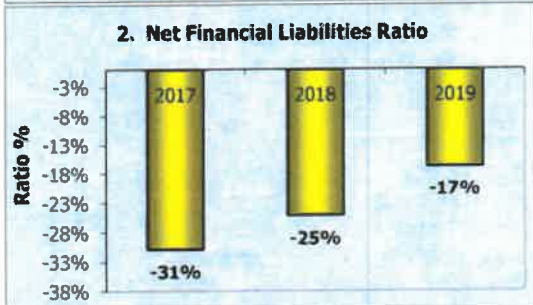
**Purpose of Operating Surplus Ratio**

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

**Commentary on 2018/19 Result**

**2018/19 Ratio -7%**

2018-19 Council received FAGS in advance, along with 2 years prepayment supplementary local roads funding.



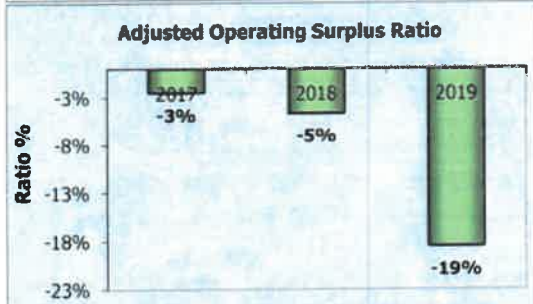
**Purpose of Net Financial Liabilities Ratio**

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

**Commentary on 2018/19 Result**

**2018/19 Ratio -17%**

2018-19 Council received FAGS in advance, along with 2 years prepayment supplementary local roads funding. A negative adjusted financial liabilities ratio shows that council has more cash and financial assets in bank than is owed in borrowing.



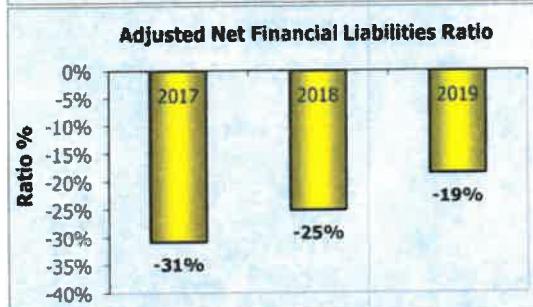
**Purpose of Adjusted Operating Surplus Ratio**

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 2018/19 Result**

**2018/19 Ratio -19%**

This ratio removes the effect from this advance payment of FAGS and Supplementary Local Roads. The trend of operating deficit is included in the LTFP with expectation to return to a balanced operating position in 2024.



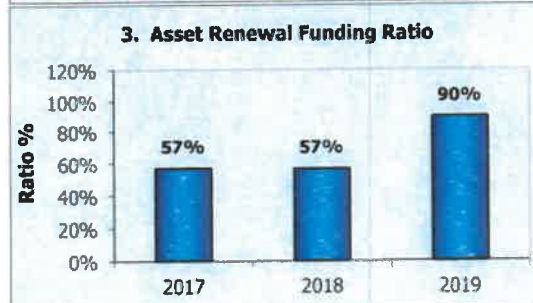
**Purpose of Adjusted Net Financial Liabilities Ratio**

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 2018/19 Result**

**2018/19 Ratio -19%**

This ratio removes the affect from the advanced payment of FAGS & Supplementary Local Roads. A negative net financial liabilities ratio shows that council has more cash and financial assets in bank than is owed in borrowing.



**Purpose of Asset Renewal Funding Ratio**

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

**Commentary on 2018/19 Result**

**2018/19 Ratio 90%**

Council has adopted a new Infrastructure and Asset Management Plan, these figures are based on the plan that was in place as at the 30 June 2019.

## Kingston District Council

### Notes to and forming part of the Financial Statements for the year ended 30 June 2019

#### Note 16. Uniform Presentation of Finances

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| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

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The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

|  |              |                |
|--|--------------|----------------|
| Income   | 7,040        | 6,744          |
| less Expenses  | (7,544)      | (6,634)        |
| <b>Operating Surplus / (Deficit)</b>   | <b>(504)</b> | <b>110</b>     |
| <b>Net Outlays on Existing Assets</b>  |              |                |
| Capital Expenditure on Renewal and Replacement of Existing Assets  | (1,352)      | (797)          |
| <i>add back</i> Depreciation, Amortisation and Impairment  | 1,990        | 1,895          |
| <i>add back</i> Proceeds from Sale of Replaced Assets  | 145          | 51             |
| <b>Subtotal</b>  | <b>783</b>   | <b>1,149</b>   |
| <b>Net Outlays on New and Upgraded Assets</b>  |              |                |
| Capital Expenditure on New and Upgraded Assets<br>(including Investment Property & Real Estate Developments) | (1,221)      | (4,018)        |
| <i>add back</i> Amounts Received Specifically for New and Upgraded Assets                                    | 497          | 2,271          |
| <b>Subtotal</b>  | <b>(724)</b> | <b>(1,747)</b> |
| <b>Net Lending / (Borrowing) for Financial Year</b>  | <b>(445)</b> | <b>(488)</b>   |

#### Note 17. Operating Leases

Council does not have any Operating Leases



#### Note 18. Superannuation

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\$ '000

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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 2018/19; 9.50% in 2017/18). 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 2017/18) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

##### **Contributions to Other Superannuation Schemes**

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

### Note 19. Interests in Other Entities

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\$ '000

Council has no interest in any Equity Accounted Businesses such as Joint Ventures, Associates & Joint Operations.

### Note 20. Non-Current Assets Held for Sale & Discontinued Operations

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

### Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

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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.

#### 2. POTENTIAL INSURANCE LOSSES

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

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

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

#### 3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$2,200,000 (2018: \$2,200,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

#### 4. GUARANTEE OVER ASSET

Council has security over assets to value of \$826,892 at reporting date.

#### 5. LEGAL MATTERS

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

# Kingston District Council

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

## Note 22. Events after the Balance Sheet Date

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Events that occur after the reporting date of 30 June 2019, 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 Certification of Financial Statements as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 22/10/19.

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

## Note 23. Related Party Transactions

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\$ '000 2019 2018

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### Key Management Personnel

#### Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the *Local Government Act 1999*. In all, 12 persons were paid the following total compensation:

#### The compensation paid to Key Management Personnel comprises:

|                              |            |            |
|------------------------------|------------|------------|
| Short-Term Employee Benefits | 518        | 465        |
| Post-Employment Benefits     | 43         | 82         |
| <b>Total</b>                 | <b>561</b> | <b>547</b> |

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

#### Receipts from Key Management Personnel comprise:

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

|  |          |          |
|--|----------|----------|
| Planning and Building Application Fees | -        | 1        |
| <b>Total</b>                           | <b>-</b> | <b>1</b> |

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2019

Note 23. Related Party Transactions (continued)

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\$ '000

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Key Management Personnel or close family members (including related parties) received Discretionary rate rebates during the year, for a Community Group that they are a member of. In accordance with the *Local Government Act 1999*, these person's declared conflicts of interest and took no part in the assessment or approval process for this rebate. Total rebates amounted to \$8,583.

Key Management Personnel or close family members (including related parties) received Community Assistance Grants for four (4) Community Groups that they are a member of. Total of these Grants amounted to \$7,160.

Close family members of Key Management Personnel (including related parties) own a retail business from which various supplies were purchased as required on a 30-day account. Total purchases amounted to \$26,266.

Two (2) close family members of Key Management Personnel are employed by Council in accordance with the terms of the Awards, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the *Local Government Act 1999*.

A close family member of Key Management Personnel (including related parties) works for the Department of Education from which a Memorandum of Agreement (MOA) between State and Local Government exists. This MOA established the financial contribution from council for 2018-19 financial year. In addition to the MOA, council contributed towards the costs of providing staff weekend work and resources for early childhood activities. Total contribution amounted to \$39,406

A close family member of Key Management Personnel (including related parties) work for a lawn mowing contractor whom is contracted for a three-year term concluding on 30 June 2019. Total payments amounted to \$32,103.

Key Management Personnel or close family members (including related parties) owns a lawn mowing business whom is contracted until October 2019. Total payments amounted to \$97,173.

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

### To the members of the Kingston District Council

#### Opinion

We have audited the accompanying financial report of the Kingston District Council, which comprises the statement of financial position as at 30 June 2019, 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 the Kingston District Council.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2019, 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* (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

23 / 10 / 2019



David Chant CA, FCPA  
Simon Smith CA, FCPA  
David Sullivan CA, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Kingston District Council

**Independent Assurance report on the Internal Controls of the Kingston District Council**

### Opinion

We have audited the compliance of the Kingston District 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 2018 to 30 June 2019 have been conducted properly and in accordance with law.

In our opinion, the Kingston District Council has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2018 to 30 June 2019.

### Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, 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 2018 to 30 June 2019. ASAE 3100 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 the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, 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 2018 to 30 June 2019. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design and implementation of controls on a sample basis based on the assessed risks.

**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 which it was prepared

**GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**

**Tim Muhlhausler CA, Registered Company Auditor**  
Partner

23 / 10 / 2019

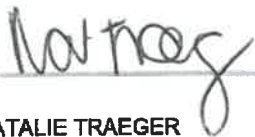
## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2019

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Kingston District Council for the year ended 30 June 2019, 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*.



NATALIE TRAEGER  
CHIEF EXECUTIVE OFFICER



KAY RASHEED  
PRESIDING MEMBER, AUDIT COMMITTEE

Date: 14 October 2019

## Kingston District Council

### General Purpose Financial Statements for the year ended 30 June 2019

#### Statement by Auditor

I confirm that, for the audit of the financial statements of Kingston District Council for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



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TIM MUHLHAUSLER  
GALPINS

Dated this 23 day of October 2019.