



Adelaide Hills
COUNCIL

AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Paula Davies

Members

Geoff Purdie
Peter Brass
Cr Malcolm Herrmann
Cr John Kemp

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 8 October 2018
6.00pm
63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

Peter Bice
Acting Chief Executive Officer



Adelaide Hills
COUNCIL

AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 8 October 2018
6.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

Council Vision

Nurturing our unique place and people

Council Mission

Delivering activities and services which build a resilient community, sustain our built and natural environment and promote a vibrant economy

1. COMMENCEMENT

2. APOLOGIES/LEAVE OF ABSENCE

- 2.1. Apology
Geoff Purdie
- 2.2. Leave of Absence
- 2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

- 3.1. Audit Committee Minutes – 13 August 2018

Recommendation

That the minutes of the Audit Committee meeting held on 13 August 2018, as supplied, be confirmed as an accurate record of the proceedings of that meeting.

4. DELEGATION OF AUTHORITY

The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

5. DECLARATION OF INTEREST BY MEMBERS OF THE COMMITTEE

6. OFFICER REPORTS

6.1. 2017-18 Draft General Purpose Financial Statements

1. *That the report be received and noted.*
2. *To recommend that Council endorse the early adoption of Australian Accounting Standards AASB15 and AASB1058 for the 2017-18 financial year and pursuant to AASB1058 elect not to recognise Volunteer Services in its financial statements.*
3. *That in accordance with Section 126(4)(a) of the Local Government (Financial Management) Regulations 1999, the Audit Committee advises Council that it has reviewed:*
 - a. *the General Purpose Financial Statements of the Council for the financial year ended 30 June 2018 as contained in Appendix 1, and*
 - b. *the External Auditor Galpins' Audit Clearance Letter, and is satisfied that they present fairly the state of affairs of the Council.*
4. *Considers that the Adelaide Hills Council 2017-18 General Purpose Financial Statements, contained in Appendix 1, can be certified by the Chief Executive Officer and the Mayor.*
5. *That it notes the confirmation of Galpins Independence Declaration Statement as tabled and considers that the Auditor Independence Statement contained in Appendix 3 can be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the Local Government (Financial Management) Regulations 2011.*

6.2. Action Report & Work Plan Update

That the Audit Committee resolves that the report be received and noted.

7. NEXT MEETING

The next Audit Committee meeting is scheduled for 6.00pm, Monday 5 November 2018 at 63 Mount Barker Road, Stirling.

8. CLOSE MEETING

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 13 AUGUST 2018
63 MT BARKER ROAD, STIRLING**

Presiding Member: Paula Davies

Members:

Geoff Purdie
Peter Brass
Cr Malcolm Herrmann
Cr John Kemp

In attendance:

Andrew Aitken	Chief Executive Officer
Terry Crackett	Director Corporate Services
Peter Bice	Director Infrastructure and Operations
Marc Salver	Director Development and Regulatory Services
David Waters	Director Community Capacity
Lachlan Miller	Executive Manager Governance & Performance
Mike Carey	Manager Financial Services
John McArthur	Manager Waste and Emergency Management
Karen Bennink	CWMS Technical Officer
Hari Argiro	Coordinator Service Strategy & Innovation
Steven Watson	Governance and Risk Coordinator
	Minute Taker
Alan Rushbrook	Utintja Consulting
Tim Muhlhausler	Galpins Accountants, Auditors and Business Consultants
Juliano Freitas	Galpins Accountants, Auditors and Business Consultants

- 1. Commencement**
The meeting commenced at 6:02pm
- 2. Apologies/Leave of Absence**
 - 2.1. Apology**
Nil
 - 2.2. Leave of Absence**
Nil
 - 2.3. Absent**
Nil

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 13 AUGUST 2018
63 MT BARKER ROAD, STIRLING**

3. Previous Minutes

3.1. Audit Committee Meeting 30 April 2018

Moved Peter Brass
S/- Cr Malcolm Herrmann

AC18/29

That the minutes of the Audit Committee meeting held on 30 April 2018 as distributed, be confirmed as an accurate record of the proceedings of that meeting.

Carried

4. Delegation of Authority

In accordance with the Audit Committee Terms of Reference, the Committee has no delegated decision-making powers.

5. Declaration of Interest by Members of the Committee

Nil

6. Officer Reports

6.1. Action Report and 2018 Work Plan Update

Moved Cr Malcolm Herrmann
S/- Geoff Purdie

AC18/30

The Audit Committee resolves that the:

- 1. Report be received and noted**
- 2. Status of the Action Report and Work Plan be noted**

Carried

6.2. Prudential Report for Potential Divestment of CWMS

Moved Cr John Kemp
S/- Peter Brass

AC18/31

The Audit Committee resolve that;

- 1. The Prudential Review Report and the Probity Report be received and noted.**
- 2. The Audit Committee acknowledges that whilst S48 of the Local Government Act 1999 does not require a prudential review to be undertaken, the report in relation to this project satisfies the provisions of S48.**

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 13 AUGUST 2018
63 MT BARKER ROAD, STIRLING**

6.3. External Audit Interim Letter

Moved Peter Brass AC18/32
S/- Geoff Purdie

That Audit Committee:

1. **Receives and notes the report.**
2. **Notes the communication received from Galpins from their Interim visit relating to the -2017-18 External Audit and the Management Response to their findings from the Interim Audit.**

Carried

7.01pm Cr John Kemp left the chamber

The Chair sought and was granted leave of the meeting to bring Item 6.7 forward.

6.7 Budget Review 3

Moved Cr Malcolm Herrmann AC18/33
S/- Peter Brass

The Audit Committee resolves to:

1. **Receive and note the report.**
2. **Note that the Operating Budget variations presented in Budget Review 3 for the period ending 31 March 2018 had no impact on the budget and continued to provide for an adjusted Operating Surplus for the 2017/18 year of \$1.986m.**
3. **Note the proposed Capital Program amendments include \$170k of increased expenditure that is offset by additional capital grant funding of \$170k.**

7.04pm Cr John Kemp returned to the chamber

6.4. End of Financial year Update

Moved Peter Brass AC18/34
S/- Cr John Kemp

The Audit Committee resolves that the report be received and noted.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 13 AUGUST 2018
63 MT BARKER ROAD, STIRLING**

6.5. Internal Audit Quarterly Update

Moved Cr John Kemp **AC18/35**
S/- Peter Brass

The Audit Committee resolves to:

1. Receive and note the report.
2. Note the contents of the Internal Audit of Planning Assessment Process Report and the Internal Audit of Customer Service Standard Reporting Report.

Carried

6.6. Audit Actions Implementation Report

Moved Peter Brass **AC18/36**
S/- Geoff Purdie

The Audit Committee resolves to:

1. Receive and note the report.
2. Note the implementation status of Internal and External Audit actions.

Carried

6.7. Item brought forward in meeting

6.8. Risk Management Plan Update

Moved Cr Malcolm Herrmann **AC18/37**
S/- Cr John Kemp

The Audit Committee resolves that the report be received and noted.

Carried

**ADELAIDE HILLS COUNCIL AUDIT COMMITTEE
MINUTES OF MEETING 13 AUGUST 2018
63 MT BARKER ROAD, STIRLING**

6.9. Placement of Council's Insurance Portfolio

Moved Cr John Kemp **AC18/38**
S/- Geoff Purdie

The Audit Committee resolves that the report be received and noted.

Carried

6.10. Quarterly Debtors Report

Moved Cr Malcolm Herrmann **AC18/39**
S/- Peter Brass

The Audit Committee resolves that the report be received and noted.

Carried

7. Next Meeting

The next ordinary meeting of the Audit Committee will be held at 6.00pm on Monday, 08 October 2018, at 63 Mount Barker Road, Stirling.

8. Close Meeting

The meeting closed at 7.55pm

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 8 October 2018
AGENDA BUSINESS ITEM**

Item: 6.1

Originating Officer: Mike Carey, Manager Financial Services

Responsible Director: Terry Crackett, Director Corporate Services

Subject: 2017-18 Draft General Purpose Financial Statements

For: Decision

SUMMARY

The 2017-18 General Purpose Financial Statements are attached for information and review. They have been prepared in accordance with the model statements prescribed in the *Local Government (Financial Management) Regulations 2011*.

In accordance with Section 126(4)(a) of the *Local Government Act 1999* the Audit Committee needs to review the 2017-18 General Purpose Financial Statements and be satisfied that they present fairly the state of affairs of Council in accordance with the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

Council's external auditor, Galpins have advised that they will provide their Audit Clearance Letter which will indicate their intended audit opinions on the Financial Statements and Internal Controls subject to completion of a number of outstanding audit items. A copy of this letter will be provided to the Audit Committee at or prior to the meeting.

The 2017-18 General Purpose Financial Statements will be presented to Council on 23 October 2018 for endorsement prior to certification by the Mayor and Chief Executive Officer and the Audit Report signed by the external auditors, Galpins.

In considering this report an in-camera opportunity will also be provided for members of the Audit Committee to discuss the audit result with Galpins.

RECOMMENDATION

The Audit Committee resolves:

- 1. That the report be received and noted.**
- 2. To recommend that Council endorse the early adoption of Australian Accounting Standards AASB15 and AASB1058 for the 2017-18 financial year and pursuant to AASB1058 elect not to recognise Volunteer Services in its financial statements.**

3. **That in accordance with Section 126(4)(a) of the *Local Government (Financial Management) Regulations 1999*, the Audit Committee advises Council that it has reviewed:**
 - a. **the General Purpose Financial Statements of the Council for the financial year ended 30 June 2018 as contained in Appendix 1, and**
 - b. **the External Auditor Galpins' Audit Clearance Letter,****and is satisfied that they present fairly the state of affairs of the Council.**

 4. **Considers that the Adelaide Hills Council 2017-18 General Purpose Financial Statements, contained in Appendix 1, can be certified by the Chief Executive Officer and the Mayor.**

 5. **That it notes the confirmation of Galpins Independence Declaration Statement as tabled and considers that the Auditor Independence Statement contained in Appendix 3 can be certified by the Chief Executive Officer and the Presiding Member of the Audit Committee in accordance with the requirements of Regulation 22(3) of the *Local Government (Financial Management) Regulations 2011*.**
-

1. GOVERNANCE

➤ Strategic Management Plan/Council Policy

Goal 5: Organizational Sustainability
Strategy: Governance

The Council is committed to open, participative and transparent decision making and administrative processes. We diligently adhere to legislative requirements to ensure public accountability and exceed those requirements where possible.

While not set down specifically in policy, good governance practices and a convention of this Audit Committee (although not exercised every year) has been to have the opportunity to meet with auditors without management present (i.e. in-camera).

Should the Committee wish to avail itself of this opportunity, the Administration will leave the meeting at the request of the Presiding Member and a confidentiality order is not required as the meeting remains open to the public.

➤ Legal Implications

Local Government Act 1999

Chapter 8 of the Local Government Act addresses Administrative and Financial Accountability under Part 3 Accounts, financial statements and audit.

More specifically:

- Section 126 (4)(a): [Audit Committee] to review the Financial Statements to ensure that they present fairly the state of affairs of the Council.
- Under Section 127 of the Local Government Act, Council must prepare for each financial year financial statements and notes in accordance with standards prescribed by the regulations as soon as is reasonably practicable after the end of the relevant financial year

Local Government (Financial Management) Regulations

- Regulation 22 of the Local Government (Financial Management) Regulations 2011 requires:
 - Subregulation 3 – that the Council’s Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year; and
 - Subregulation 5 – that the Council’s auditor must provide a statement in the prescribed form regarding their independence in accordance with auditing professional standards and legislative requirements.

➤ **Risk Management Implications**

Failure to complete the year end process with the timetable can result in increased financial, compliance and reputational risk.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

➤ **Financial and Resource Implications**

The End of Year Financial Statements are considered to be the most significant output from Council’s financial management and reporting processes, and are required for inclusion in the Annual Report.

Funding and resources required to prepare the End of Year Financial Statements is provided for as part of the annual budget process.

➤ **Customer Service and Community/Cultural Implications**

Not applicable.

➤ **Environmental Implications**

Not applicable.

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Council Committees: Not applicable

Advisory Groups: Not applicable

Administration: A 2017-18 Preliminary End of Year Financial Results and Carry Forwards report was presented to Council on 11 September 2018. As part of this report all budget holders reviewed the end of year financial position for their respective areas of responsibility to ensure variations were identified and explained and reviewed by the Executive Leadership Team.

Community: Not applicable

2. BACKGROUND

At its 28 February 2018 meeting, Council resolved to appoint Galpins Accountants, Advisers and Business Consultants (Galpins) for the provision of external audit services for a period of three (3) years commencing with the audit of the financial year ending 30 June 2018.

The Annual Financial Statements (or General Purpose Financial Report) in **Appendix 1** have been prepared in accordance with Australian equivalents to international Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board and relevant South Australian local government legislation.

3. ANALYSIS

The following sections provide a summary in relation to key sections of the General Purpose Financial Statements.

3.1 Statement of Comprehensive Income

The Statement of Comprehensive Income shows an overall operating surplus of \$508k for 2017-18 compared with a surplus of \$450k for the previous year.

Statement of Comprehensive Income	2017-18 \$000s	2016-17 \$000s	Movement \$000s
Council	724	727	(3)
Equity Result from Subsidiaries	(216)	(277)	61
Operating Surplus	508	450	58

This modest underlying surplus shows a fundamental sustainability of core activities and aligns strongly with the Long Term Financial Plan.

As shown above, Council's operating result is very similar to the previous year, but was impacted on by some one off items that largely offset each other, being:

- Receipt of a contribution from the State Government of \$1.1m to cover repair to public infrastructure and disaster operations from a storm event in the previous year
- Additional provisioning of remediation and post closure costs of \$1.2m relating to closed landfills within the Council area

These items are also discussed in more detail below.

Overall, Council's operating revenue increased by \$2.0m (4.7%) with expenditure also increasing by \$2.0m (4.6%). Key movements from 2016-17 include:

- General rates increase of \$1.0m, reflecting the general rates increase of 2.25% and rates growth of 0.7%. (refer Note 2a in the Financial Statements).
- Operating Grants, Subsidies and Contributions increased by \$460km from the previous year with a number of offsets relating to timing of grants. These include:
 - Council receiving a contribution from State Government of \$1.1m in 2017-18 to meet the costs of repairs to essential public infrastructure as a result of a storm event within the Council area in September 2016.

- Council also received a supplementary local roads grant of \$353k for 2017-18. This grant was reinstated by the Federal Government in 2017-18 after funding ceased in 2013-14.
- a Financial Assistance Grant reduction as a result of Council receiving 2 quarters of the 2018-19 Financial Assistance Grant late in June from the Federal Government, resulting in four quarters being recorded in 2017-18 (\$1.6m) compared to six quarters received in 2016-17 (\$2.3m)
- Employee Costs largely increased in line with Enterprise Development Agreements.
- The Materials, Contracts & Other Expenses was significantly impacted on by the additional provisioning of remediation and post closure costs of \$1.2m relating to closed landfills within the Council area as well as a number of offsets between 2016-17 and 2017-18 financial years including:
 - Reduction in Capital WIP writeoff of \$581k given that the 2016-17 financial year included expenditure budgeted under capital for storm damage but was considered operating in nature
 - An increase in parts, accessories & consumables of \$516k from 2016-17 as a result of additional material infrastructure costs in stormwater and sealed roads and plant and vehicle expenditure as a result of higher fuel and maintenance costs.
- Depreciation increased by \$454k from the previous year across a number of categories with the most significant increase occurring in the buildings category (\$243k) as a result of a revaluation at the beginning of the 2017-18 financial year.
- Councils net result from Equity Accounted Council Businesses was a loss of \$216k compared to a net loss of \$277k for the previous year. The loss largely relates to the Adelaide Hills Regional Waste Management Authority for the year as a result of legal costs in defending a claim in the Supreme Court. Copies of the Financial Statements for each of the subsidiaries will be made available at the Audit Committee meeting.

3.2 Statement of Financial Position

Statement of Financial Position	2017-18 \$'000	2016-17 \$'000	Movement \$'000
Assets	376,800	315,821	60,979
Liabilities	28,173	23,775	(4,398)
Net Assets	348,627	292,046	56,581

The Statement of Financial Position shows the total assets and total liabilities held by Council. As at 30 June 2018, the overall net assets (total assets less total liabilities) held by Council was \$348.6m compared with \$292.0m for the previous year, representing an increase in equity of \$56.6m. The increase in equity is represented largely by an increase in asset valuation of \$55.5m together with the Net Surplus of \$1.0m.

Three assets classes were revalued in 2017-18 with a significant increase in building assets (\$25m, previously revalued using cost indices) and Land (\$29m and last revalued in 2014) and a relatively minor increase in Community Wastewater Management System assets of less than \$1m.

Borrowings at 30 June 2018 of \$14.9m, including the short term drawdown facility of \$4.9m, are favourable to budget but an increase of \$1.2m from borrowings at 30 June 2017 of \$13.7m.

In terms of Infrastructure Property Plant & Equipment it is noted that:

- an amount of \$1.2m has been transferred to Non-current Assets held for Resale recognising the settlement in the 2018-19 financial year of land and buildings on the Southern side of the Adelaide Hills Business Tourism Centre site.
- whilst Council has entered into a Contract for the divestment of the Council's retirement village portfolio in 2018-19, there are a number of contractual requirements to work through before the sale is unconditional. As such, given that the definition of a non-current assets held for sale is highly restrictive, these assets have remained under land and buildings in the Statement for Financial Position.

3.3 Cash Flow Statement

Statement of Cash Flows	2017-18 \$'000	2016-17 \$'000	Movement \$'000
Net cash from Operating Activities	11,710	8,706	3,004
Net cash from Investing Activities	(13,363)	(8,551)	(4,810)
Cash Flows from Financing Activities	(122)	46	(168)
Net Increase/(Decrease) in Cash Held	(1,775)	199	(1,974)
Cash & Cash Equivalents	(4,409)	(2,632)	(1,777)

Council generated \$11.7m from its Operating Activities during the financial year compared to \$8.7m during 2016-17. Details of how this reconciles with the net surplus and changes in net assets is shown in Note 11 of the Financial Statements.

During the year, Council spent just over \$14.7m on the construction and purchase of renewal and new assets compared to \$10.0m in 2016-17.

Given that it was more cost effective to use Council's short term draw down rather than fixed term borrowings, the resultant Cash Flow Statement shows a decrease in cash & equivalents of \$1.8m, reflecting the net capital expenditure outflows over and above cash flows generated from operating activities.

3.4 Financial Key Performance Indicators

These Financial Indicators have been calculated in accordance with Information Paper 9 – Local Government Financial Indicators revised in May 2015 and included as 'Note 15 Financial Indicators' within the Financial Statements.

Financial Indicators	2017-18	2016-17
Operating Surplus	1%	1%
Adjusted Operating Surplus Ratio *	1%	(1%)
Net Financial Liabilities Ratio	55%	47%
Asset Sustainability Ratio	121%	75%

*The Adjusted Operating Surplus Ratio removes the distortion of Federal Government advance payments in 2016-17 and 2017-18.

Overall, given the 2017-18 result, Council is well positioned to continue to be financially sustainable. Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

3.4.1 Operating Surplus Ratio

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

As mentioned above, there are a couple of one off offsetting items that have had a financial impact on the ratio for 2017-18. However, the result is in Council's target range of 0% - 10%.

3.4.2 Adjusted Operating Surplus Ratio

This ratio removes the distortion of Federal Government advance grant payments of \$77k from Operating Surplus, and as the amount is not material, there is no change to the ratio of 1%. The \$77k represents the advance payment of two quarters of the 2018-19 Federal Assistance Grant of \$847k offset by \$771k, also representing two quarters of the 2017-18 Grant received in June 2017.

3.4.3 Net Financial Liabilities Ratio

This ratio expresses the net financial liabilities as a percentage of total operating revenue with Council's target range being between 0% to 100%.

Capital expenditure was increased in 2017-18, largely as a result of the reinstatement of a large amount of renewal capital expenditure deferred from 2016-17 to help Council fund the September 2016 storm event without significantly impacting Councils' cash and borrowing position. As such the increase of \$4.7m in capital expenditure over the previous year has increased the Net Financial Liabilities ratio from 47% to 55% as at 30 June 2018. This ratio is still well within Council's target range and in alignment with the LTFP.

3.4.4 The Asset Sustainability Ratio

This is a ratio that represents the net cost of replacing assets compared to the level of depreciation. Council's target range is between 90% and 110%.

As discussed above, the 2017-18 ratio of 121% reflects the increase in renewal expenditure incurred in 2017-18 as a result of delaying the renewal expenditure from 2016-17. The asset sustainability ratio for 2016-17 was 75% and in effect Council's target range has been met when taking the two financial years into consideration.

3.5 New Accounting Policies

Early Adoption of AASB15 and AASB1058

AASB 1004 previously provided the appropriate accounting treatment to match grant income to expenditure.

In December 2016, the Accounting Standards Board released a clarification interpretation explaining the Standard. Within the interpretation, the key phrase of 'reciprocal' vs 'non-reciprocal' has now been clarified as whether both parties receive a reciprocal benefit from the grant funding provided.

Specifically, it clarified that grant funding for local government entities had to be recognised as income within the year received and not match it to the period of expenditure.

Whilst technical, this could have material impact on the financial statements and result in more complicated interpretation of the accounts. Given that the non matching of grants is difficult for many users of the financial statements to understand consideration has been given to the effect of these standards on Council's financial statements as at 30 June 2018.

Two new AASBs' replacing AASB1004 spell out the timing, recognition, treatment of revenue and income and mandatorily apply from 1 January 2019:

- AASB15 Revenue from Contracts with customers; and
- AASB1058 Income of Not-for-Profit Entities

These two standards can be adopted early but as AASB15 is linked with AASB1058, they are to be applied concurrently.

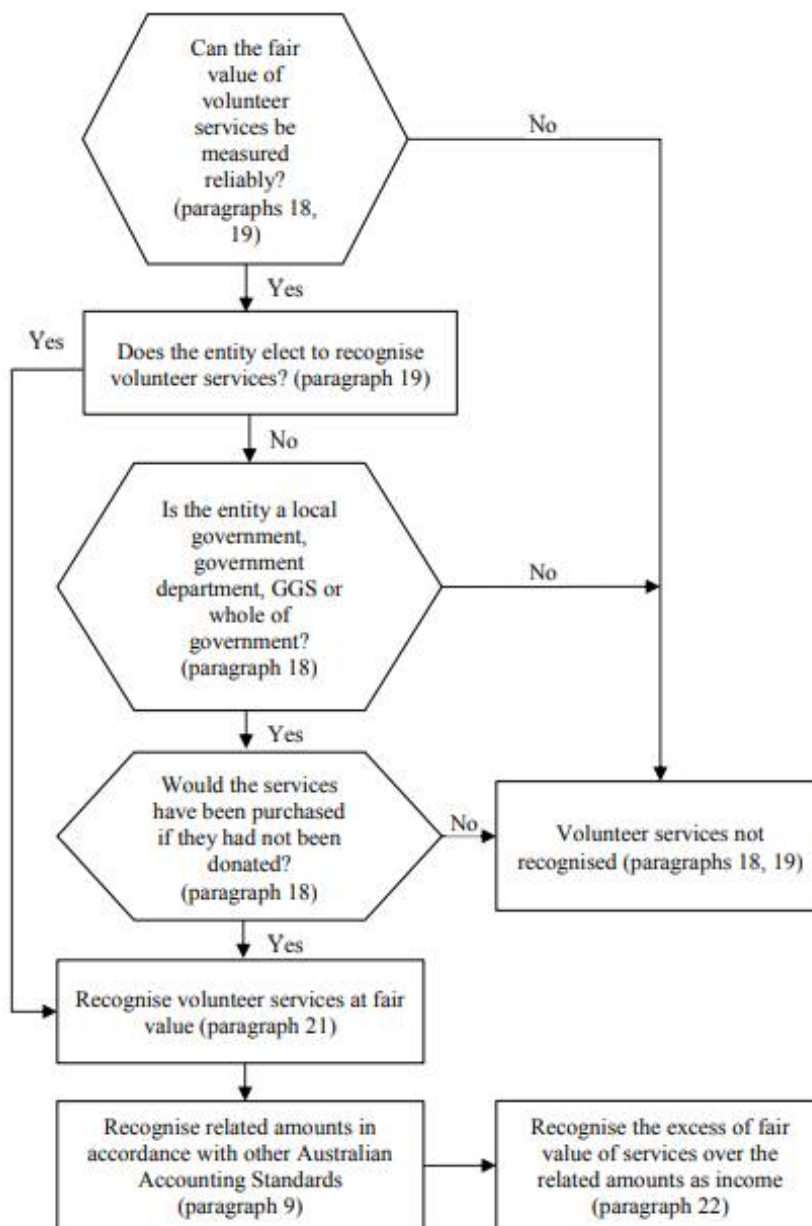
These new standards require further consideration than the previous standard including the review of the enforceability of contracts or agreements, agreed milestones, other requirements including the return of unspent funds and other general matters that are particular to grants received.

For Council to continue the income and expenditure matching practice, this would require Council to early adopt standard AASB15 and AASB1058 and include a disclosure in Note 1 of our Financial Statements stating Council's position of early adoption.

However, this position also requires Council to address another part of AASB1058, being to consider Council's position in recognising "Volunteer Services" in the financial statements as per the following chart.

Note Chart 2 – Volunteer Services as copied from AASB1058, page 13:

Chart 2 – Volunteer Services



Consideration of questions from that chart:

Can the fair value of volunteer services be measured reliably?

Although Council and its community highly value the work being undertaken by volunteers, Council does not capture the time our volunteers spend throughout the various services and areas across the district in an accounting sense.

As such, the fair value of volunteer services would be very difficult to measure reliably given the varied contributions from each and every volunteer and could serve to distort the comparability of the financial results over time. Further, volunteer support for our community is not based on financial reward but contribution to our community.

In summary, whilst possible to measure volunteer services, it will be difficult and time consuming to measure reliably.

Would the services have been purchased if they had not been donated?

Council has a large number of volunteers and if we equate that to our employee numbers this would translate to a significant number of full time employees.

Given Council's small operating surplus, it would be reasonable to assume from a hypothetical accounting perspective that if volunteers were "paid" and this was recognised in the financial statements, the services would not be utilised.

The logical conclusion therefore is that accounting recognition for volunteers provides little in the way of value in the financial statements and would only serve to distort the financial statements and service provision decisions that arise from the financial statements.

Summary and Conclusion

To continue the income and expenditure matching practice Council would need to early adopt AASB15 and AASB1058 and include a disclosure in Note 1 of our Financial Statements stating that early adoption.

This will also require an accounting treatment decision on recognition of Volunteer Services in its financial statements.

It is considered that Adelaide Hills Council not recognise Volunteer Services in its financial statements given that:

- the services would not have been purchased had they not been provided voluntary – as Council couldn't afford it and;
- the fair value is going to be an unreliable measurement.

3.6 2017-18 Audit Clearance Letter

The role of the external auditor is to provide an audit opinion to Council with respect to the General Purpose Financial Statements. In addition, Council's Auditor Galpins is required to provide an opinion on the compliance of the Adelaide Hills Council with the requirements of Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council.

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*.

The Auditor's responsibility is to express a conclusion 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 for the period 1 July 2017 to 30 June 2018 to ensure that financial transactions relating to 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 in all material respects.

The Auditors procedures included assessing the controls of Council based on the criteria in the *Better Practice Model—Internal Financial Controls*.

At the time of writing this report the external Auditors Galpins were in the final stages of completing the audit, and preparing their Audit Clearance Letter on matters arising from the audit. This Audit Clearance Letter will indicate their intended audit opinions on the

Financial Statements and Internal Controls subject to completion of a number of outstanding audit items. A copy of this letter will be provided to the Audit Committee at or prior to the meeting and reviewed in detail at the meeting.

Council's Administration will continue to work with the Auditors prior to the Audit Committee meeting and an update on the above matters will be provided at the meeting. A copy of the Draft Audit Completion report will also be provided to the Audit Committee

3.7 Statement by Auditor of Audit Independence

Regulation 22 (5) of the *Local Government (Financial Management) Regulations 2011* requires the auditor of a Council to provide a written statement attesting to their independence. Council's Auditor, Galpins have indicated that they will include their Audit Independence Declaration as part of their Audit Clearance Letter, as prescribed in the Regulations. A signed version of this Statement to Council will be provided for inclusion in Council's financial statements as part of the finalisation of the audit.

Regulation 21 (2) of the *Local Government (Financial Management) Regulations 2011* requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year (see **Appendix 2**).

4. OPTIONS

The Committee has the following options:

- I. To review and recommend to Council as prepared.
- II. To make additional comments or suggestions for finance staff to include prior to completing the General Purpose Financial Statements.

5. APPENDICES

- (1) 2017-18 Draft General Purpose Financial Statements
- (2) Draft Certification of Auditor Independence

Appendix 1

2017-18 Draft General Purpose Financial Statements

Adelaide Hills Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Nurturing our unique place and people



Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
1. Council Certificate	2
2. Primary Financial Statements:	
- Statement of Comprehensive Income	3
- Statement of Financial Position	4
- Statement of Changes in Equity	5
- Statement of Cash Flows	6
3. Notes to the Financial Statements	7
4. Independent Auditor's Report - Financial Statements	42
5. Independent Auditor's Report - Internal Controls	44
6. Certificates of Audit Independence	
- Council Certificate of Audit Independence	46
- Audit Certificate of Audit Independence	47

Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Andrew Aitken
CHIEF EXECUTIVE OFFICER

Bill Spragg
MAYOR

Date: dd Month 2018

Adelaide Hills Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Income			
Rates Revenues	2a	35,512	34,301
Statutory Charges	2b	1,069	1,022
User Charges	2c	1,479	1,337
Grants, Subsidies and Contributions	2g	5,508	5,048
Investment Income	2d	30	36
Reimbursements	2e	447	265
Other Income	2f	488	483
Net Gain - Equity Accounted Council Businesses	19	-	57
Total Income		44,533	42,549
Expenses			
Employee Costs	3a	14,956	14,505
Materials, Contracts & Other Expenses	3b	19,961	18,760
Depreciation, Amortisation & Impairment	3c	8,246	7,792
Finance Costs	3d	646	708
Net loss - Equity Accounted Council Businesses	19	216	334
Total Expenses		44,025	42,099
Operating Surplus / (Deficit)		508	450
Asset Disposal & Fair Value Adjustments	4	(2,401)	(1,325)
Amounts Received Specifically for New or Upgraded Assets	2g	867	672
Physical Resources Received Free of Charge	2h	2,068	118
Net Surplus / (Deficit) ¹		1,042	(85)
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	55,488	8,631
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	20	(2)
Other Equity Adjustments - Equity Accounted Council Businesses		32	-
Total Other Comprehensive Income		55,540	8,629
Total Comprehensive Income		56,582	8,544

¹ Transferred to Statement of Changes in Equity

Adelaide Hills Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	491	966
Trade & Other Receivables	5b	3,333	2,753
Inventories	5c	13	14
Subtotal		3,837	3,733
Non-Current Assets Held for Sale	20	1,260	-
Total Current Assets		5,097	3,733
Non-Current Assets			
Financial Assets	6a	50	71
Equity Accounted Investments in Council Businesses	6b	838	984
Infrastructure, Property, Plant & Equipment	7a	370,815	311,033
Total Non-Current Assets		371,703	312,088
TOTAL ASSETS		376,800	315,821
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	10,121	8,493
Borrowings	8b	4,918	3,651
Provisions	8c	2,310	1,357
Other Current Liabilities	8d	172	-
Total Current Liabilities		17,521	13,501
Non-Current Liabilities			
Borrowings	8b	10,000	10,000
Provisions	8c	651	274
Total Non-Current Liabilities		10,651	10,274
TOTAL LIABILITIES		28,172	23,775
Net Assets		348,628	292,046
EQUITY			
Accumulated Surplus		137,081	135,571
Asset Revaluation Reserves	9a	210,121	154,633
Other Reserves	9b	1,426	1,842
Total Council Equity		348,628	292,046

Adelaide Hills Council

Statement of Changes in Equity for the year ended 30 June 2018

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2018					
Balance at the end of previous reporting period		135,571	154,633	1,842	292,046
a. Net Surplus / (Deficit) for Year		1,042	-	-	1,042
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	55,488	-	55,488
- Share of OCI - Equity Accounted Council Businesses	19	20	-	-	20
- Other Equity Adjustments - Equity Accounted Council Businesses	19	32	-	-	32
Other Comprehensive Income		52	55,488	-	55,540
Total Comprehensive Income		1,094	55,488	-	56,582
c. Transfers between Reserves		416	-	(416)	-
Balance at the end of period		137,081	210,121	1,426	348,628
2017					
Balance at the end of previous reporting period		135,298	146,002	2,202	283,502
a. Net Surplus / (Deficit) for Year		(85)	-	-	(85)
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	8,631	-	8,631
- Share of OCI - Equity Accounted Council Businesses	19	(2)	-	-	(2)
Other Comprehensive Income		(2)	8,631	-	8,629
Total Comprehensive Income		(87)	8,631	-	8,544
c. Transfers between Reserves		360	-	(360)	-
Balance at the end of period		135,571	154,633	1,842	292,046

Adelaide Hills Council

Statement of Cash Flows

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		35,348	34,477
Statutory Charges		1,069	1,022
User Charges		1,479	1,337
Grants, Subsidies and Contributions (operating purpose)		5,675	4,856
Investment Receipts		30	36
Reimbursements		447	265
Other Receipts		893	545
<u>Payments</u>			
Payments to Employees		(15,200)	(14,389)
Payments for Materials, Contracts & Other Expenses		(17,385)	(18,662)
Finance Payments		(646)	(781)
Net Cash provided by (or used in) Operating Activities	11b	11,710	8,706
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		867	672
Sale of Replaced Assets		489	754
Repayments of Loans by Community Groups		43	42
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(10,493)	(6,580)
Expenditure on New/Upgraded Assets		(4,251)	(3,423)
Capital Contributed to Equity Accounted Council Businesses		(18)	(18)
Net Cash provided by (or used in) Investing Activities		(13,363)	(8,553)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Bonds & Deposits		1	3
Proceeds from Aged Care Facility Deposits		-	124
<u>Payments</u>			
Repayments of Borrowings		(33)	(81)
Repayment of Aged Care Facility Deposits		(90)	-
Net Cash provided by (or used in) Financing Activities		(122)	46
Net Increase (Decrease) in Cash Held		(1,775)	199
plus: Cash & Cash Equivalents at beginning of period	11	(2,634)	(2,833)
Cash & Cash Equivalents at end of period	11	(4,409)	(2,634)

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	8
2	Income	14
3	Expenses	16
4	Asset Disposal & Fair Value Adjustments	18
	Current Assets	
5a	Cash & Cash Equivalents	18
5b	Trade & Other Receivables	18
5c	Inventories	19
	Non-Current Assets	
6a	Financial Assets	19
6b	Equity Accounted Investments in Council's Businesses	19
	Fixed Assets	
7a (i)	Infrastructure, Property, Plant & Equipment	20
7a (ii)	Investment Property	20
7b	Valuation of Infrastructure, Property, Plant & Equipment	21
	Liabilities	
8a	Trade & Other Payables	23
8b	Borrowings	23
8c	Provisions	23
8d	Other Liabilities	23
	Reserves	
9a	Asset Revaluation Reserve	24
9b	Other Reserves	24
10	Assets Subject to Restrictions	25
11	Reconciliation to Statement of Cashflows	25
12a	Functions	27
12b	Components of Functions	28
13	Financial Instruments	28
14	Commitments for Expenditure	32
15	Financial Indicators	33
16	Uniform Presentation of Finances	34
17	Operating Leases	35
18	Superannuation	36
19	Interests in Other Entities	37
20	Non Current Assets Held for Sale & Discontinued Operations	38
21	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	39
22	Events After the Balance Sheet Date	39
23	Related Party Transactions	40

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

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

Adelaide Hills Council is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 28 Onkaparinga Valley Road, Woodside 5244. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

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

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 Payment Received	Annual Allocation	Difference
2015/16	\$696,644	\$1,512,372	- \$815,728
2016/17	\$2,265,645	\$1,494,710	+ \$770,935
2017/18	\$1,597,298	\$1,520,627	+\$76,671

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 2018

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

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$5,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$5,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

Plant, Furniture & Equipment

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

Building & Other Structures

Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years

Infrastructure

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

Other Assets

Artworks indefinite

6.5 Impairment

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

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

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

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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.

9.2 Superannuation

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

10 Provisions for Reinstatement, Restoration and Rehabilitation

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

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

11 Leases

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

In respect of finance leases, where Council substantially carries the entire 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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) 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.

AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* have been adopted early in the preparation of these financial reports.

AASB 15 – Revenue from Contracts and AASB 1058 Income of Not-for-Profit Entities impact on the timing of recognition of income such that it depends on whether such a transaction gives rise to a liability or other performance obligation related to an asset received by Council.

The early adoption has resulted in special purpose grants for which there is a reasonable likelihood that the grants will have to be refunded if obligations are not discharged in accordance with terms and conditions, being recognised as a current liability titled Grants – Deferred Revenue until funds are expended in accordance with the relevant agreements.

This has resulted in \$608,000 in special purpose funding being disclosed as a current liability in this report.

Other than AASB 15 and AASB 1058, Adelaide Hills Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Council will implement them when they are effective.

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

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

- AASB 16 *Leases*

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Financial Instruments with AASB 4 Insurance Contracts

- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

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

- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*

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

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

17 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.

18 Disclaimer

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

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income

\$ '000	Notes	2018	2017
(a). Rates Revenues			
General Rates			
General Rates		33,141	32,144
Less: Mandatory Rebates		(218)	(220)
Less: Discretionary Rebates, Remissions & Write Offs		(172)	(166)
Total General Rates		32,751	31,758
Other Rates (Including Service Charges)			
Natural Resource Management Levy		931	904
Community Wastewater Management Systems		1,478	1,333
Separate & Special Rates		5	5
Stirling Business Association Separate Rate		87	87
Total Other Rates		2,501	2,329
Other Charges			
Penalties for Late Payment		176	173
Legal & Other Costs Recovered		84	41
Total Other Charges		260	214
Total Rates Revenues		35,512	34,301
(b). Statutory Charges			
Development Act Fees		452	466
Animal Registration Fees & Fines		421	375
Parking Fines / Expiation Fees		28	31
Other Licences, Fees & Fines		103	91
Searches		65	59
Total Statutory Charges		1,069	1,022
(c). User Charges			
Cemetery/Crematoria Fees		328	172
Community Centres		127	120
Sundry		163	217
Adelaide Hills Business and Tourism Centre (AHBTC)		495	493
Dump Fees		-	4
Retirement Villages		366	331
Total User Charges		1,479	1,337

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		6	7
- Banks & Other		16	19
- Loans to Community Groups		8	10
Total Investment Income		30	36
(e). Reimbursements			
Private Works		8	30
Other		439	235
Total Reimbursements		447	265
(f). Other Income			
Insurance & Other Recoupments - Infrastructure, IPP&E		201	196
Sundry		287	287
Total Other Income		488	483
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		867	672
Total Amounts Received Specifically for New or Upgraded Assets		867	672
Supplementary Local Roads Funding		353	-
Untied - Financial Assistance Grant		1,597	2,266
Roads to Recovery		1,024	1,119
Home and Community Care Grant		899	871
Library and Communications		285	267
Sundry		262	525
Natural Disaster Recovery Funding		1,088	-
Total Other Grants, Subsidies and Contributions		5,508	5,048
Total Grants, Subsidies, Contributions		6,375	5,720
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		1,965	2,211
State Government		4,197	3,183
Other		213	326
Total		6,375	5,720
(ii) Individually Significant Items			
Grant Commission (FAG) Grant in Advance Recognised as Income		847	771

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(h). Physical Resources Received Free of Charge			
Land & Improvements		-	118
Roads, Bridges & Footpaths		129	-
Stormwater Drainage		1,100	-
Kerb & Gutter		14	-
Retaining Walls		350	-
Public Artwork		475	-
Total Physical Resources Received Free of Charge		2,068	118

Note 3. Expenses

(a). Employee Costs

Salaries and Wages		11,517	11,004
Employee Leave Expense		2,721	2,498
Superannuation - Defined Contribution Plan Contributions	18	1,054	986
Superannuation - Defined Benefit Plan Contributions	18	249	239
Workers' Compensation Insurance		435	446
Personal Income Protection Insurance		217	190
Other		27	4
Less: Capitalised and Distributed Costs		(1,264)	(862)
Total Operating Employee Costs		14,956	14,505
 Total Number of Employees (full time equivalent at end of reporting period)		 171	 172

(b). Materials, Contracts and Other Expenses

(i) Prescribed Expenses

Auditor's Remuneration			
- Auditing the Financial Reports		18	30
Bad and Doubtful Debts		(23)	-
Elected Members' Expenses		372	373
Election Expenses		46	46
Operating Lease Rentals - Cancellable Leases		332	286
Subtotal - Prescribed Expenses		745	735

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
(b). Materials, Contracts and Other Expenses (continued)			
(ii) Other Materials, Contracts and Expenses			
Contractors		10,313	10,415
Energy		697	634
Legal Expenses		255	234
Levies Paid to Government - NRM levy		920	893
Levies - Other		571	583
Parts, Accessories & Consumables		2,791	2,275
Professional Services		103	96
Sundry		940	908
Contributions & Donations		735	683
Insurance		585	604
Work-in-Progress Write-off		119	700
Landfill Remediation		1,187	-
Subtotal - Other Material, Contracts & Expenses		19,216	18,025
Total Materials, Contracts and Other Expenses		19,984	18,760
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings		1,147	904
Infrastructure			
- Stormwater		386	359
- Community Wastewater Management Systems		297	347
- Roads		3,689	3,644
- Bridges		270	254
- Footpaths		367	313
- Retaining Walls		128	98
- Guardrails		139	114
- Kerb & Gutter		390	407
- Traffic Controls		41	39
- Street Furniture		69	62
- Sport & Recreation		313	316
- Playgrounds		83	44
- Cemeteries		33	32
Plant & Equipment		865	809
Furniture & Fittings		29	50
Subtotal		8,246	7,792
(ii) Impairment			
Nil			
Total Depreciation, Amortisation and Impairment		8,246	7,792

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
(d). Finance Costs			
Interest on Overdraft and Short-Term Drawdown		76	104
Interest on Loans		570	604
Total Finance Costs		646	708

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced

Proceeds from Disposal		489	754
Less: Carrying Amount of Assets Sold		(2,890)	(2,079)
Gain (Loss) on Disposal		(2,401)	(1,325)
Net Gain (Loss) on Disposal or Revaluation of Assets		(2,401)	(1,325)

Note 5. Current Assets

(a). Cash & Cash Equivalents

Cash on Hand at Bank		124	601
Deposits at Call		-	3
Short Term Deposits & Bills, etc.		367	362
Total Cash & Cash Equivalents		491	966

(b). Trade & Other Receivables

Rates - General & Other		1,476	1,349
Council Rates Postponement Scheme		76	39
Accrued Revenues		712	545
Debtors - General		297	250
Other Levels of Government		132	299
Prepayments		620	257
Loans to Community Organisations		22	44
Subtotal		3,335	2,783
Less: Allowance for Doubtful Debts		(2)	(30)
Total Trade & Other Receivables		3,333	2,753

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 5. Current Assets (continued)

\$ '000	Notes	2018	2017
(c). Inventories			
Stores & Materials		13	14
Total Inventories		13	14

Note 6. Non-Current Assets

(a). Financial Assets

Receivables

Loans to Community Organisations		50	71
Total Receivables		50	71
Total Financial Assets		50	71

(b). Equity Accounted Investments in Council Businesses

Gawler River Floodplain Management Authority (GRFMA)	19	600	554
Eastern Waste Management Authority (EWMA)	19	69	103
Adelaide Hills Regional Waste Management Authority (AHRWMA)	19	169	327
Total Equity Accounted Investments in Council Businesses		838	984

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

\$ '000	Fair Value Level	as at 30/6/2017					Asset Movements during the Reporting Period										as at 30/6/2018					
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments & Transfers	Other Movements (Physical Resources Free of Charge)	Tfrs from/(to) "Held for Sale" category	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value	
				Dep'n	Impairment		New / Upgrade	Renewals											Dep'n	Impairment		
Capital Work in Progress	-	3,162	-	-	-	3,162	4,251	10,493	-	-	(14,986)	(117)	-	-	-	-	-	2,804	-	-	-	2,804
Land - Community	58,734	-	-	-	-	58,734	-	-	(854)	-	-	-	(510)	-	29,791	87,161	-	-	-	-	-	87,161
Buildings	66,697	-	42,257	-	-	24,440	-	-	(51)	(1,147)	827	-	(750)	-	24,773	73,614	-	25,522	-	-	-	48,092
Infrastructure																						
- Stormwater	35,385	-	10,116	-	-	25,269	-	-	(25)	(386)	830	-	1,100	-	-	37,279	-	10,489	-	-	-	26,790
- Community Wastewater Management Systems	19,922	-	8,089	-	-	11,833	-	-	-	(297)	924	-	-	-	923	19,091	-	5,708	-	-	-	13,383
- Roads	210,787	-	83,869	-	-	126,918	-	-	(1,260)	(3,689)	7,374	-	129	-	-	213,604	-	84,119	-	-	-	129,485
- Bridges	17,085	-	7,495	-	-	9,590	-	-	-	(270)	314	-	-	-	-	17,399	-	7,765	-	-	-	9,634
- Footpaths	12,312	-	5,034	-	-	7,278	-	-	(10)	(367)	939	-	-	-	-	13,186	-	5,347	-	-	-	7,839
- Retaining Walls	7,384	-	1,997	-	-	5,387	-	-	-	(128)	105	-	350	-	-	7,839	-	2,125	-	-	-	5,714
- Guardrails	6,165	-	1,015	-	-	5,150	-	-	-	(139)	117	-	-	-	-	6,282	-	1,155	-	-	-	5,127
- Kerb & Gutter	31,071	-	16,296	-	-	14,775	-	-	(14)	(390)	412	-	14	-	-	31,450	-	16,655	-	-	-	14,795
- Traffic Controls	2,124	-	717	-	-	1,407	-	-	-	(41)	-	-	-	-	-	2,096	-	757	-	-	-	1,339
- Street Furniture	2,879	-	1,218	-	-	1,661	-	-	(10)	(69)	326	-	-	-	-	3,210	-	1,289	-	-	-	1,921
- Sport & Recreation	15,957	-	9,204	-	-	6,753	-	-	-	(313)	569	-	-	-	-	16,527	-	9,517	-	-	-	7,010
- Playgrounds	1,721	-	504	-	-	1,217	-	-	-	(83)	-	-	-	-	-	1,721	-	587	-	-	-	1,134
- Cemeteries	1,892	-	1,213	-	-	679	-	-	-	(33)	41	-	-	-	-	1,933	-	1,247	-	-	-	686
Plant & Equipment	-	10,551	5,550	-	-	5,001	-	-	-	(865)	1,540	-	-	-	-	-	10,253	5,581	-	-	-	4,672
Public Artworks	-	-	-	-	-	-	-	-	(300)	-	613	-	475	-	-	-	788	-	-	-	-	788
Furniture & Fittings	-	3,492	1,713	-	-	1,779	-	-	(365)	(29)	54	-	-	-	-	-	4,443	2,002	-	-	-	2,441
Total Infrastructure, Property, Plant & Equipment		490,115	17,205	196,287	-	311,033	4,251	10,493	(2,890)	(8,246)	-	(117)	2,068	(1,260)	-	55,488	532,392	18,288	179,865	-	-	370,815
Comparatives		474,299	17,376	189,198	-	302,477	3,423	6,693	(2,078)	(7,792)	-	(325)	-	-	(9)	8,640	490,115	17,205	196,287	-	-	311,033

Note 7a (ii). Investment Property

Nil

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$ '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

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

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

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

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

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

\$ '000

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.

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

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

Land - Level 3: Land which is subject to restriction for its use or sale, ie Community Land, or land where there is no active market such as Parks & Gardens or subject to Community Service Obligations. Land assets revaluation was undertaken by Council officers based on the Valuer General's site values as at 1 January 2018.

Buildings & Other Structures

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017.
- Valuer: APV Valuers & Asset Management
- Council discloses Buildings as a class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement, and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.
- There were no Assets Valued where it was considered that the highest and best use was other than its current use.

Infrastructure

Roads, Bridges, Footpaths, Retaining Walls, Guardrail, Kerb & Gutter, Traffic Controls, Street Furniture Stormwater, Community Wastewater Management Systems (CWMS), Sport and Recreation Facilities (S&R) Playground and Cemeteries

- Council discloses each of the above as an individual class of Infrastructure Assets for the purposes of AASB 13 Fair Value Measurement, and the level of fair value hierarchy to be Level 3, as no relevant observable inputs (Markets) are available.
- There were no Assets Valued where it was considered that the highest and best use was other than its current use.

Community Wastewater Management Systems (CWMS)

- Basis of valuation: Fair Value
- Date of valuation: 1 July 2017 noting that effective date of valuation as per APV Valuers is 30 June 2017
- Valuer: APV Valuers & Asset Management

Plant & Equipment

- Basis of valuation: Historic Cost

Furniture & Fittings

- Basis of valuation: Historic Cost

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 8. Liabilities

\$ '000	Notes	2018 Current	2018 Non Current	2017 Current	2017 Non Current
(a). Trade and Other Payables					
Goods & Services		3,417	-	1,542	-
Payments Received in Advance		715	-	68	-
Accrued Expenses - Employee Entitlements		1,558	-	1,946	-
Accrued Expenses - Other		351	-	509	-
Aged Care Facility Deposits		4,075	-	4,165	-
Deposits, Retentions & Bonds		5	-	4	-
Other		-	-	259	-
Total Trade and Other Payables		10,121	-	8,493	-
(b). Borrowings					
Bank Overdraft		4,900	-	3,600	-
Loans		18	10,000	51	10,000
Total Borrowings		4,918	10,000	3,651	10,000
All interest bearing liabilities are secured over the future revenues of the Council					
(c). Provisions					
Employee Entitlements (including oncosts)		1,527	89	1,331	141
Future Reinstatement / Restoration, etc		783	562	26	133
Total Provisions		2,310	651	1,357	274
(d). Other Liabilities					
Other Liabilities		172	-	-	-
Total Other Liabilities		172	-	-	-

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 9. Reserves

\$ '000	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
(a). Asset Revaluation Reserve					
Land - Community	29,961	29,791	-	-	59,752
Buildings	6,791	24,773	-	-	31,564
Infrastructure					
- Stormwater	18,563	-	-	-	18,563
- Community Wastewater Management Systems	4,298	923	-	-	5,221
- Roads	64,463	-	-	-	64,463
- Bridges	4,072	-	-	-	4,072
- Footpaths	533	-	-	-	533
- Retaining Walls	2,604	-	-	-	2,604
- Guardrails	2,932	-	-	-	2,932
- Kerb & Gutter	13,544	-	-	-	13,544
- Traffic Controls	540	-	-	-	540
- Street Furniture	1,209	-	-	-	1,209
- Sport & Recreation	2,817	-	-	-	2,817
- Playgrounds	89	-	-	-	89
- Cemeteries	2,217	-	-	-	2,217
Total Asset Revaluation Reserve	154,633	55,488	-	-	210,121
Comparatives	146,002	8,631	-	-	154,633

\$ '000	1/7/2017	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2018
(b). Other Reserves					
Investment in Associates	472	-	(148)	-	324
Community Wastewater Management Systems	683	-	(295)	-	388
Retirement Village Lobethal	54	18	-	-	72
Retirement Village Woodside	208	9	-	-	217
Retirement Village Fee Bond	42	-	-	-	42
Torrens Valley Community Centre	137	-	-	-	137
Library	1	-	-	-	1
Scott Creek Progress Association	6	-	-	-	6
Environmental Fund Reserve	232	-	-	-	232
Significant Trees Reserve	7	-	-	-	7
Total Other Reserves	1,842	27	(443)	-	1,426
Comparatives	2,202	24	(384)	-	1,842

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).

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 10. Assets Subject to Restrictions

\$ '000	Notes	2018	2017
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.</p>			
Cash & Financial Assets			
Unexpended amounts received from Federal & State Government			
Community Wastewater Management Systems Investigations		345	340
Total Cash & Financial Assets		345	340
Total Assets Subject to Externally Imposed Restrictions		345	340

Note 11. Reconciliation to Statement of Cash Flows

(a). Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	491	966
Less: Short-Term Borrowings	8	(4,900)	(3,600)
Balances per Statement of Cash Flows		(4,409)	(2,634)

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		1,042	(85)
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		8,246	7,792
Equity Movements in Equity Accounted Investments (Increase)/Decrease		216	277
Non-Cash Asset Acquisitions		(2,068)	(118)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(867)	(672)
Net (Gain) Loss on Disposals		2,401	1,325
Expense of Capital Items		121	325
		9,091	8,844
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(574)	189
Change in Allowances for Under-Recovery of Receivables		28	-
Net (Increase)/Decrease in Inventories		1	(7)
Net (Increase)/Decrease in Other Current Assets		(56)	-
Net Increase/(Decrease) in Trade & Other Payables		1,717	(217)
Net Increase/(Decrease) in Unpaid Employee Benefits		144	(103)
Net Increase/(Decrease) in Other Provisions		1,186	-
Net Increase/(Decrease) in Other Liabilities		173	-
Net Cash provided by (or used in) operations		11,710	8,706
(c). Non-Cash Financing and Investing Activities			
Acquisition of assets by means of:			
- Physical Resources Received Free of Charge	2i	2,068	118
Amounts recognised in Income Statement		2,068	118
Total Non-Cash Financing & Investing Activities		2,068	118
(d). Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdrafts		200	200
Corporate Credit Cards		180	180
Asset Finance - Leasing		600	600
LGFA Cash Advance Debenture Facility		10,200	12,200

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

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
\$ '000										
Business Undertakings	-	-	-	-	-	-	-	-	376,800	-
Community & Customer Services	1,541	1,472	5,930	5,711	(4,389)	(4,239)	1,319	1,261	-	-
Corporate Services	38,297	37,174	11,255	10,802	27,025	26,372	822	1,227	-	95,421
Engineering & Assets	3,312	2,472	16,401	16,615	(13,082)	(14,143)	4,139	3,075	-	220,400
Strategy & Development	1,383	1,431	10,439	8,971	(9,046)	(7,540)	95	157	-	-
Total Functions/Activities	44,533	42,549	44,025	42,099	508	450	6,375	5,720	376,800	315,821

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

COMMUNITY AND CUSTOMER SERVICES

Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support, Other Community Support, Community Amenities, Cultural Services, Cultural Venues, Heritage and Other Cultural Services, Library Services, Mobile Libraries and Housebound Services, Static Libraries, Other Library Services.

CORPORATE SERVICES

Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Separate and Special Rates, Records, Contract Management, Other Support Services, LGGC – General Purpose, Governance, Administration, Elected Members, Organisational Support Services, Revenues, Cemeteries/Crematoria, Employment Creation Programs.

ENGINEERING & ASSETS

Bridges, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), Gravel Pits/Quarries, Private Works, Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Outdoor, Other Recreation, Public Conveniences, Telecommunications Networks, and Other Community Amenities, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Landcare Other Agricultural Services, Natural Resource Management Levy and Other Environment.

STRATEGY & DEVELOPMENT

Building Control, Town Planning, Clean Air/Pollution Control, Dog and Cat Control, Litter Control, Parking Control and Other Regulatory Services, Emergency Services, Other Fire Protection, Pest Control, Health Services, Health Inspectors, Immunisation, Preventive Health Services, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Sewerage/CWMS, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.5% and 2% (2017: 1.50% and 2.00%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

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 6.75% (2017: 7.00%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

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).

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Liabilities

Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities

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 rates between 4.6% and 6.75% (2017: 3.80% and 6.75%) and variable rates between 3.6% and 3.75% (2017: 3.75% and 4.00%).

Carrying Amount:

Approximates fair value.

Liabilities

Finance Leases

Accounting Policy:

Accounted for in accordance with AASB 117.

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
<u>Financial Assets</u>					
Cash & Equivalents	491	-	-	491	491
Receivables	1,164	53	-	1,217	1,211
Total Financial Assets	1,655	53	-	1,708	1,702
<u>Financial Liabilities</u>					
Payables	9,407	-	-	9,407	9,406
Current Borrowings	4,919	-	-	4,919	4,918
Non-Current Borrowings	568	6,595	5,460	12,623	10,000
Total Financial Liabilities	14,894	6,595	5,460	26,949	24,324
2017					
<u>Financial Assets</u>					
Cash & Equivalents	966	-	-	966	966
Receivables	1,064	-	-	1,064	1,108
Other Financial Assets	52	78	-	130	71
Total Financial Assets	2,082	78	-	2,160	2,145
<u>Financial Liabilities</u>					
Payables	8,306	-	-	8,306	8,425
Current Borrowings	3,635	19	-	3,654	3,651
Non-Current Borrowings	567	6,933	5,690	13,190	10,000
Total Financial Liabilities	12,508	6,952	5,690	25,150	22,076

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

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	3.72%	4,900	3.77%	3,600
Fixed Interest Rates	5.56%	10,018	5.36%	10,051
		14,918		13,651

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.

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.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures (continued)

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

2018

2017

(a). Capital Commitments

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

Infrastructure	695	449
Plant & Equipment	245	26
	941	475

These expenditures are payable:

Not later than one year	941	475
Later than one year and not later than 5 years	-	-
Later than 5 years	-	-
	941	475

(b). Other Expenditure Commitments

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

Audit Services	97	-
Employee Remuneration Contracts	-	7,349
	97	7,349

These expenditures are payable:

Not later than one year	23	1,838
Later than one year and not later than 5 years	73	5,511
Later than 5 years	-	-
	97	7,349

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 15. Financial Indicators

\$ '000	Amounts 2018	Indicator 2018	Prior Periods	
			2017	2016

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

1. Operating Surplus Ratio

Operating Surplus	508			
Total Operating Income	44,533	1%	1%	(1%)

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	24,298			
Total Operating Income	44,533	55%	47%	51%

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

Adjustments to Ratios

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

Adjusted Operating Surplus Ratio		1%	(1%)	1%
Adjusted Net Financial Liabilities Ratio		55%	48%	50%

3. Asset Sustainability Ratio

Net Asset Renewals	10,004			
Infrastructure & Asset Management Plan required expenditure	8,246	121%	75%	110%

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.

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 16. Uniform Presentation of Finances

\$ '000	2018	2017
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	44,533	42,549
<i>less</i> Expenses	(44,025)	(42,099)
Operating Surplus / (Deficit)	508	450
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(10,493)	(6,580)
<i>add back</i> Depreciation, Amortisation and Impairment	8,246	7,792
<i>add back</i> Proceeds from Sale of Replaced Assets	489	754
Subtotal	(1,758)	1,966
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(4,251)	(3,423)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	867	672
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
Subtotal	(3,384)	(2,751)
Net Lending / (Borrowing) for Financial Year	(4,634)	(335)

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 17. Operating Leases

\$ '000	2018	2017
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Leases Providing Revenue to the Council

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

(i) Investment Property

Council has not classified any Land or Buildings as "Investment Property".

(ii) Lease Payment Commitments of Council

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

Not later than one year	337	257
Later than one year and not later than 5 years	428	398
Later than 5 years	-	-
	<u>765</u>	<u>655</u>

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 18. Superannuation

\$ '000

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2016/17) of "superannuation" salary.

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

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

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

Contributions to Other Superannuation Schemes

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

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 19. Interests in Other Entities

\$ '000

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

	Council's Share of Net Income		Council's Share of Net Assets	
	2018	2017	2018	2017
Joint Ventures	(164)	(278)	838	984
Total	(164)	(278)	838	984

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2018	2017
Eastern Waste Management Authority	Waste Management	69	103
Gawler River Floodplain Management Authority	Floodplain Management	600	554
Adelaide Hills Regional Waste Management Authority	Waste Management	169	327
Total Carrying Amounts - Joint Ventures & Associates		838	984

Eastern Waste Management Authority

Eastern Waste is a regional subsidiary pursuant to S.43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of Eastern Waste. The other member Councils are Norwood, Payneham & St. Peters, Burnside, Mitcham, Campbelltown and Walkerville.

Gawler River Floodplain Management Authority

Gawler River Floodplain Management Authority is a regional subsidiary pursuant to S.43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of Gawler River Floodplain Management Authority. Other members are Barossa, Gawler, Light, Adelaide Plains and Playford Councils.

Adelaide Hills Regional Waste Management Authority

Adelaide Hills Regional Waste Management Authority is a regional subsidiary pursuant to S.43 of the *Local Government Act 1999*. Council has an interest in the assets and liabilities of Adelaide Hills Regional Waste Management Authority. Other members are Alexandrina, Mt. Barker and Murray Bridge Councils.

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2018	2017	2018	2017	2018	2017
Eastern Waste Management Authority	14.3%	16.7%	14.3%	16.7%	14.3%	16.7%
Gawler River Floodplain Management Authority	3.6%	3.3%	3.6%	3.3%	3.6%	3.3%
Adelaide Hills Regional Waste Management Authority	32.9%	34.6%	32.9%	34.6%	32.9%	34.6%

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 19. Interests in Other Entities (continued)

\$ '000

(c) Movement in Investment in Joint Venture or Associate

	Eastern Waste Management Authority		Gawler River Floodplain Management Authority	
	2018	2017	2018	2017
Opening Balance	103	25	554	562
Share in Operating Result	(48)	55	(8)	(8)
Share in Other Comprehensive Income	1	3	-	-
New Capital Contributions	18	18	-	-
Adjustments to Equity	(6)	2	54	-
Council's Equity Share in the Joint Venture or Associate	69	103	600	554

	Adelaide Hills Regional Waste Management Authority	
	2018	2017
Opening Balance	327	658
Share in Operating Result	(160)	(302)
Share in Other Comprehensive Income	18	(5)
Adjustments to Equity	(16)	(24)
Council's Equity Share in the Joint Venture or Associate	169	327

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

\$ '000

	2018	2017
(i). Non Current Assets & Disposal Group Assets		
Infrastructure, Property, Plant & Equipment (Southern side of AHBTC)	1,260	-
Total Non Current Assets & Disposal Group Assets	1,260	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. LEGAL MATTERS

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

As at 30 June 2018 an equity accounted Council business (AHRWMA) is a defendant in Supreme Court procedures in which it is asserted that the AHRWMA made some misleading representations at the time that it transferred its interests in the Hartley Landfill to a third party. AHRWMA has fully defended the claim and some legal costs might still be incurred. Trial for this action is currently waiting judgement.

Note 22. Events after the Balance Sheet Date

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

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

Council is unaware of any "non adjusting events" that merit disclosure.

Adelaide Hills Council

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 23. Related Party Transactions

\$ '000	2018	2017
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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, 20 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	1,485	1,454
Post-Employment Benefits	108	105
Total	1,593	1,559

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	2	1
Market Stall Registration	1	-
Total	3	1

Three Key Management Personnel are Board Members/Deputy Board Members of four entities, namely the State Library of SA, the Dog and Cat Management Board of SA, Regional Development Australia - Adelaide Hills, Fleurieu and Kangaroo Island and the Local Government Association respectively but it is not considered that those members control or jointly control those organisations. During the financial year the Adelaide Hills Council:

- received grants (materials and operating grants) amounting to \$270,176 from the SA Libraries Board
- paid an Contribution levy payment of \$34,728 to the Department of Environment, Water and Natural Resources (DEWNR) - Dog & Cat Management Board
- paid an amount of \$61,500 to Regional Development Australia - Adelaide Hills, Fleurieu and Kangaroo Island representing funding contributions to that entity
- paid a membership contribution of \$50,883 to the Local Government Association as well as contributions and reimbursements to sector based groups and panels of \$17,456, license renewals (\$3,000), Tenders SA costs (\$2,043) and conference, training & seminar activities (\$14,735)

One Key Management Personnel was a Board Member of The Hut Community Centre Inc from 1 July 2016 to 28 February 2017 and also received salary and wages from the Centre.

During the 2017-18 financial year, Adelaide Hills Council paid the following amounts to The Hut Community Centre:

- Funding Agreement \$146,354
- Contribution to the Volunteer Resource Centre \$17,000
- Funding for the Provision of Community Home Support Program \$11,500
- Donation - Best Community Entry \$250
- Training Reimbursement \$100

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 23. Related Party Transactions (continued)

\$ '000

Three Key Management Personnel are members on the management committees of sport and recreational groups that receive contributions from Adelaide Hills Council. Details of those contributions are as follows:

- Adelaide Hills Swimming Centre \$144,913, being a maintenance grant of \$84,913 and reimbursement of capital expenditure of \$60,000
- Mylor Australia Day Committee \$1,400 as an Australia Day Event Contribution
- The Scott Creek Progress Association \$7,050 including a \$1,900 Community Grant
- Woodside Recreation Grounds Management \$13,590 including a \$1,890 Sport & Recreation Grant.

One Key Management Personnel is a Committee Member of the Hills Musical Company which has representatives on the Stirling Community Theatre Committee. Council paid an amount of \$136,039 in relation to the upgrade of the Stirling Community Theatre and orchestra pit, being a facility owned by Council. Council also received a contribution of the \$64, 464 from Stirling Community Theatre.

Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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Adelaide Hills Council

General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2018, 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*.

Andrew Aitken

CHIEF EXECUTIVE OFFICER

Place name here... (go to parameters tab)

PRESIDING MEMBER, AUDIT COMMITTEE

Date: dd Month 2018

Appendix 2

Draft Auditor Independence Statement

Adelaide Hills Council

General Purpose Financial Statements for the year ended 30 June 2018

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Adelaide Hills Council for the year ended 30 June 2018, 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*.

Andrew Aitken
CHIEF EXECUTIVE OFFICER

Paula Davies
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

**ADELAIDE HILLS COUNCIL
AUDIT COMMITTEE MEETING
Monday 8 October 2018
AGENDA BUSINESS ITEM**

Item: 6.2

Originating Officer: Steven Watson, Governance and Risk Coordinator

Responsible Director: Terry Crackett, Director Corporate Services

Subject: Action Report & Work Plan Update

For: Decision

SUMMARY

A formal Audit Committee Action Report is maintained to record the items requiring 'actioning' that result from each of the Audit Committee meetings.

The Audit Committee Work Plan assists the Committee members and staff in scheduling both discussion and reports to ensure appropriate coverage of the Committee functions over the 12 month period.

RECOMMENDATION

That the Audit Committee resolves that the report be received and noted.

1. GOVERNANCE

➤ **Strategic Management Plan/Council Policy**

Goal	Organisational Sustainability
Strategy	Governance

Monitoring Audit Committee decisions and actions and the Committee's Work Plan assist in meeting legislative and good governance responsibilities and obligations

➤ **Legal Implications**

Section 126 of the *Local Government Act 1999* sets out the functions of an audit committee. Management of Committee's action items and work plan facilitates the achievement of these functions.

➤ **Risk Management Implications**

The management of action items and the work plan will assist in mitigating the risk of:

Poor governance practices occur which lead to a loss of stakeholder (i.e. customer and regulator) confidence and/or legislative breaches.

Inherent Risk	Residual Risk	Target Risk
Extreme (5C)	Medium (3D)	Medium (3D)

Note that there are many other controls that assist in mitigating this risk.

➤ **Financial and Resource Implications**

There are no direct financial or resource implications from this item.

➤ **Customer Service and Community/Cultural Implications**

Not applicable.

➤ **Environmental Implications**

Not applicable.

➤ **Engagement/Consultation with Committee, Regional Subsidiary, Advisory Group and Community**

Consultation has occurred internally with Action and Work Plan responsible officers.

2. **BACKGROUND**

Action Report

The Action List tracks the implementation of resolutions of the Audit Committee.

Work Plan

The functions of the Audit Committee are set out in part 7 (Role) of the Committee Terms of Reference.

A Work Plan has been developed to assist the Committee members and staff in scheduling discussion and reports to ensure appropriate coverage of the functions over the 12 month period. The Audit Committee adopted a Work Plan for 2018 at its 06 November 2017 meeting.

3. ANALYSIS

Action Report

There is one (1) outstanding item on the Audit Committee Action Report (**Appendix 1**), which will remain for some time due to being resolved in confidence.

Work Plan

As per the 2018 Audit Committee Work Plan (**Appendix 2**), the following items are scheduled for the October (this) meeting:

Item	Commentary
Final Annual Financial Statements (incl management representation letter)	See Agenda Item 6.2
Meeting attendance by external auditors	See Agenda Item 6.2
Review of auditor independence and legislative compliance	See Agenda Item 6.2
Balance date audit management letter (Completion Report) - draft	See Agenda Item 6.2
Results of LGA Risk Management Review conducted in November 2017	Rescheduled to the November 2018 Meeting

4. OPTIONS

The Committee has the following options:

- I. To note the status of the Action Report and Work Plan as presented.
- II. To alter or substitute elements of the Action Report and/or Work Plan/s.

5. APPENDICES

- (1) Audit Committee Action Report
- (2) 2017 Audit Committee Work Plan

Appendix 1

Audit Committee Action Report

Meeting Date	Meeting	Res No.	Item Name	Action Required (Council Resolution)	Responsible Officer	Status	Date of Update	Comments
20/02/2018	Audit Committee	AC18/4(4)	Appointment of External Auditor - Release of Confidentiality Order	That the report and related attachments of the Committee and the discussion and considerations of the subject matter be retained in confidence until the completion of the contract	Lachlan Miller	In Progress	13/09/2018	Given the commercial in confidence information, the release of the confidentiality order is unlikely to occur for 3-5 years depending on whether the option under the contract is exercised. Nevertheless the cost of Statutory Audit services is reported in the Annual Report.

Appendix 2

2018 Audit Committee Work Plan

ADELAIDE HILLS COUNCIL AUDIT COMMITTEE 2018 Work Plan and Reporting Schedule

Terms of Reference		
Financial Reporting	Long term financial plan forecast economic indicators	Annual
	Draft Annual Business Plan	Annual
	Budget Review 1	Annual
	Budget Review 2	Annual
	Budget Review 3	Annual
	Budget Review 4 (s10)	Annual
	End of financial year reporting timetable	Annual
	End of financial year update	Annual
	Final Annual Financial Statements (incl management representation letter)	Annual
	Draft Annual Report	Annual
Internal Control and Risk Management	Placement of Council's insurance portfolio (for noting)	Annual
	Internal Financial Controls update	Bi-annual
	Risk Management Plan update	Quarterly
	Results of LGA Risk Management Review	Annual
	Implementation of LGA Risk Management Review Action Plan	Bi-annual
Internal Audit	Internal Audit quarterly update	Quarterly
	Internal audit reports	As required
	Implementation of internal audit actions progress report	Bi-annual
	Internal Audit Plan review	Annual
External Audit	External audit interim letter	Biannual
	Implementation of external audit actions progress report	Bi-annual
	External Audit Plan review	Annual
	Meeting attendance by external auditors	Annual
	Review of auditor independence and legislative compliance	Annual
	Balance date audit management letter (Completion Report)	Annual
Whistleblowing	Whistleblowers Policy review	Triennial
Other Business	Audit Committee self assessment review	Annual
	Whistleblowers protection procedure review	Biennial
	Chairperson's report	Annual
	Work Plan and Reporting Schedule	Annual
	Audit Committee Meeting Dates	Annual
	Service Improvement Benefits Realisation Report	Bi-annual
	Debtors Report	Quarterly
	Terms of Reference	Annual

2018				
Feb	May	Aug	Oct	Nov
2017				

	verbal	letter		
			in camera	
			draft	final

next review 2019				
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	N/A			