

District Council of Karoonda East Murray

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

*Karoonda East Murray District is recognised for its strong
leadership, progressive community, quality lifestyle,
expanding economic opportunities and enhanced natural
environment*



District Council of Karoonda East Murray

General Purpose Financial Statements

for the year ended 30 June 2017

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District Council of Karoonda East Murray

General Purpose Financial Statements for the year ended 30 June 2017

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 2017 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.



Katrina Fromm
ACTING CHIEF EXECUTIVE OFFICER



Kevin Burdett
MAYOR

Date: 30/10/2017

District Council of Karoonda East Murray

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's Financial Statements

Introduction

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

About the Certification of Financial Statements

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

The Financial Statements incorporate 4 "primary" financial statements:

1. A Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing all income & expenses.

2. A Balance Sheet

A 30 June snapshot of Council's financial position including its assets & liabilities.

3. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

4. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

About the Independence Certificates

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

Who uses the Financial Statements?

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

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

District Council of Karoonda East Murray

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	2017	2016
Income			
Rates Revenues	2a	1,339	1,230
Statutory Charges	2b	25	21
User Charges	2c	94	77
Grants, Subsidies and Contributions	2g	3,156	1,567
Investment Income	2d	14	17
Reimbursements	2e	5	34
Other Income	2f	117	279
Total Income		4,750	3,225
Expenses			
Employee Costs	3a	846	788
Materials, Contracts & Other Expenses	3b	1,319	1,029
Depreciation, Amortisation & Impairment	3c	1,856	1,404
Total Expenses		4,021	3,221
Operating Surplus / (Deficit)		729	4
Asset Disposal & Fair Value Adjustments	4	83	48
Net Surplus / (Deficit) ¹		812	52
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	4,230	(418)
<i>Amounts which will be reclassified subsequently to operating result</i>			
Movements in Other Reserves - Other Equity Adjustments	9c	-	(95)
Total Other Comprehensive Income		4,230	(513)
Total Comprehensive Income		5,042	(461)

¹ Transferred to Equity Statement

District Council of Karoonda East Murray

Statement of Financial Position as at 30 June 2017

\$ '000	Notes	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	1,805	816
Trade & Other Receivables	5b	201	207
Inventories	5c	80	78
Total Current Assets		2,086	1,101
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	7a	38,597	34,549
Other Non-Current Assets	6	618	667
Total Non-Current Assets		39,215	35,216
TOTAL ASSETS		41,301	36,317
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	488	554
Provisions	8c	279	276
Total Current Liabilities		767	830
Non-Current Liabilities			
Provisions	8c	35	30
Total Non-Current Liabilities		35	30
TOTAL LIABILITIES		802	860
Net Assets		40,499	35,457
EQUITY			
Accumulated Surplus		15,667	14,855
Asset Revaluation Reserves	9a	24,832	20,602
Total Council Equity		40,499	35,457

District Council of Karoonda East Murray

Statement of Changes in Equity for the year ended 30 June 2017

\$ '000	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
2017					
Balance at the end of previous reporting period		14,855	20,602	-	35,457
a. Net Surplus / (Deficit) for Year		812	-	-	812
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	4,230	-	4,230
Other Comprehensive Income		-	4,230	-	4,230
Total Comprehensive Income		812	4,230	-	5,042
Balance at the end of period		15,667	24,832	-	40,499
2016					
Balance at the end of previous reporting period		14,898	21,020	-	35,918
a. Net Surplus / (Deficit) for Year		52	-	-	52
b. Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(418)	-	(418)
- Other Equity Adjustments - Equity Accounted Council Businesses	19	(95)	-	-	(95)
Other Comprehensive Income		(95)	(418)	-	(513)
Total Comprehensive Income		(43)	(418)	-	(461)
Balance at the end of period		14,855	20,602	-	35,457

District Council of Karoonda East Murray

Statement of Cash Flows for the year ended 30 June 2017

\$ '000	Notes	2017	2016
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates Receipts		1,287	1,197
Statutory Charges		25	22
User Charges		103	106
Grants, Subsidies and Contributions (operating purpose)		3,156	1,685
Investment Receipts		14	18
Reimbursements		5	34
Other Receipts		400	267
<u>Payments</u>			
Payments to Employees		(843)	(831)
Payments for Materials, Contracts & Other Expenses		(1,616)	(1,603)
Net Cash provided by (or used in) Operating Activities	11b	2,531	895
Cash Flows from Investing Activities			
<u>Receipts</u>			
Sale of Replaced Assets		195	171
Sale of Surplus Assets		25	3
Sale of Real Estate Developments		18	-
Repayments of Loans by Community Groups		4	4
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(1,780)	(1,991)
Expenditure on New/Upgraded Assets		-	(2)
Net Cash provided by (or used in) Investing Activities		(1,538)	(1,815)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Repayment of Aged Care Facility Deposits		(4)	-
Net Cash provided by (or used in) Financing Activities		(4)	-
Net Increase (Decrease) in Cash Held		989	(920)
plus: Cash & Cash Equivalents at beginning of period	11	816	1,736
Cash & Cash Equivalents at end of period	11	1,805	816

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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n/a - not applicable

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated (01/05/2011).

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 thousands.

2 The Local Government Reporting Entity

The District Council of Karoonda East Murray is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 11 Railway Terrace, Karoonda SA 5307. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income Recognition

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

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

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

	Cash Payment Received	Annual Allocation	Difference
2014/15	\$2,362,038	\$1,560,764	+ \$801,274
2015/16	\$749,469	\$748,069	+ \$1,400
2016/17	\$2,320,829	\$1,532,045	+ \$788,784

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.

5.2 Other Real Estate Held for Resale

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

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
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 Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years

Building & Other Structures

Buildings – masonry	50 to 100 years
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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 80 years
Unsealed Roads	10 to 35 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	30 to 120 years
Drains	60 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

Library Books	10 to 15 years
Artworks indefinite	

6.5 Impairment

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

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

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

6.6 Borrowing Costs

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

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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.

In this current financial year it is not applicable.

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 Employee Benefits

8.1 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.

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

8.2 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.

9 Joint Ventures and Associated Entities

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 16.

10 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.

11 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.

The District Council of Karoonda East Murray has not applied any Australian Accounting Standards and

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

Interpretations that have been issued but are not yet effective.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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*

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

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*

12 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.

13 Disclaimer

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

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 2. Income

\$ '000	Notes	2017	2016
(a). Rates Revenues			
General Rates			
General Rates		1,178	1,121
Total General Rates		1,178	1,121
Other Rates (Including Service Charges)			
Natural Resource Management Levy		67	26
Community Wastewater Management Systems		82	80
Total Other Rates		149	106
Other Charges			
Penalties for Late Payment		12	3
Total Other Charges		12	3
Total Rates Revenues		1,339	1,230
(b). Statutory Charges			
Development Act Fees		8	9
Town Planning Fees		5	2
Health & Septic Tank Inspection Fees		3	1
Animal Registration Fees & Fines		7	7
Search fees		2	2
Total Statutory Charges		25	21
(c). User Charges			
Cemetery/Crematoria Fees		6	2
Property Lease		56	51
Sales - General		3	2
Hall hire & Photocopying		-	1
Cabin Hire		29	21
Total User Charges		94	77

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 2. Income (continued)

\$ '000	Notes	2017	2016
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		14	17
Total Investment Income		14	17

(e). Reimbursements

Private Works	5	31
Joint Undertakings	-	3
Total Reimbursements	5	34

(f). Other Income

*Insurance & Other Recoupments - Infrastructure, IPP&E	52	71
Rebates Received	50	-
Sundry	10	114
Wind Up of Interest in Other Entities	-	94
Other	5	-
Total Other Income	117	279

* 2016 comparatives includes an insurance claim in relation to a matter of fraud last year

(g). Grants, Subsidies, Contributions

Other Grants, Subsidies and Contributions	34	-
Untied - Financial Assistance Grant	1,532	749
Roads to Recovery	801	693
Sundry	-	125
Individually Significant Item - Additional Grants Commission Payment (refer below)	789	-
Total Grants, Subsidies, Contributions	3,156	1,567

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

(i) Sources of grants

Commonwealth Government	801	790
State Government	2,321	759
Other	34	18
Total	3,156	1,567

(ii) Individually Significant Items

Grant Commission (FAG) Grant Recognised as Income	789	-
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In the month of June 2017, the Federal Government through the State Grants Commission, paid the amount \$788,784 of untied financial assistance grants, which has been recognised on receipt, in advance of the year of allocation.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 3. Expenses

\$ '000	Notes	2017	2016
(a). Employee Costs			
Salaries and Wages		705	772
Employee Leave Expense		130	102
Superannuation - Defined Contribution Plan Contributions	18	81	71
Superannuation - Defined Benefit Plan Contributions	18	25	39
Workers' Compensation Insurance		50	41
Less: Capitalised and Distributed Costs		(145)	(237)
Total Operating Employee Costs		846	788
Total Number of Employees (full time equivalent at end of reporting period)		14	18
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		4	4
Elected Members' Expenses		73	80
Subtotal - Prescribed Expenses		77	84
(ii) Other Materials, Contracts and Expenses			
Contractors		509	499
Energy		29	30
Legal Expenses		5	17
Levies Paid to Government - NRM levy		67	27
Levies - Other		19	16
Parts, Accessories & Consumables		457	239
Sundry		108	83
Water		48	34
Subtotal - Other Material, Contracts & Expenses		1,242	945
Total Materials, Contracts and Other Expenses		1,319	1,029

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 3. Expenses (continued)

\$ '000	Notes	2017	2016
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Buildings & Other Structures		27	27
Infrastructure			
- Stormwater Drainage		16	16
- CWMS		54	28
- Roads		1,199	810
- Footpaths, Kerb & Gutter		29	30
- Roads Furniture		13	-
Plant & Equipment		339	313
Furniture & Fittings		10	12
Buildings - Buildings & Components		141	140
Other Assets		28	28
Subtotal		1,856	1,404
(ii) Impairment			
Nil			
Total Depreciation, Amortisation and Impairment		1,856	1,404

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		195	171
Less: Carrying Amount of Assets Sold		(118)	(125)
Gain (Loss) on Disposal		77	46
(ii) Assets Surplus to Requirements			
Proceeds from Disposal		25	3
Less: Carrying Amount of Assets Sold		(16)	(1)
Gain (Loss) on Disposal		9	2
Real Estate Development Assets			
Proceeds from Disposal		18	-
Less: Carrying Amount of Assets Sold		(21)	-
Gain (Loss) on Disposal		(3)	-
Net Gain (Loss) on Disposal or Revaluation of Assets		83	48

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 5. Current Assets

\$ '000	Notes	2017	2016
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		131	44
Deposits at Call		1,674	772
Total Cash & Cash Equivalents		1,805	816
(b). Trade & Other Receivables			
Rates - General & Other		160	108
*Accrued Revenues		5	43
Debtors - General		14	31
GST Recoupment		22	21
Loans to Community Organisations		-	4
Total Trade & Other Receivables		201	207
* 2016 comparatives includes an insurance claim in relation to a matter of fraud last year			
(c). Inventories			
Stores & Materials		38	36
Real Estate Developments	6	42	42
Total Inventories		80	78

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 6. Non-Current Assets

\$ '000	Notes	2017	2016
Other Non-Current Assets			
(i) Inventories			
Real Estate Developments		346	367
Total Inventories		346	367
(ii) Other			
Capital Works-in-Progress		272	300
Total Other		272	300
Total Other Non-Current Assets		618	667
Other disclosures			
Real Estate Developments - Current & Non-Current			
(Valued at the lower of cost and net realisable value)			
Residential		388	409
Total Real Estate for Resale		388	409
Represented by:			
Acquisition Costs		388	409
Total Real Estate of Resale		388	409
Apportionment of Real Estate Developments			
Current Assets		42	42
Non-Current Assets		346	367
		388	409

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

Note 7a. Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2016					Asset Movements during the Reporting Period						as at 30/6/2017			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Value	Impairment	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Dep'n	Carrying Value
							New / Upgrade	Renewals								
Land - Other	3	1,254	-	-	1,254	-	-	-	-	-	-	-	1,254	-	-	1,254
Buildings & Other Structures	3	430	-	334	96	-	73	-	-	(27)	(36)	-	393	73	360	106
- Stormwater Drainage	3	612	106	54	664	-	-	-	-	(16)	-	-	612	106	70	648
- CWMS	3	1,577	76	309	1,344	-	-	-	-	(54)	-	1,508	3,963	-	1,165	2,798
- Roads	3	34,008	7,007	13,821	27,194	-	-	1,119	-	(1,199)	-	2,453	61,040	1,119	32,592	29,567
- Footpaths, Kerb & Gutter	3	1,112	13	460	665	-	-	-	-	(29)	-	576	1,747	-	535	1,212
- Roads Furniture	3	126	-	50	76	-	-	-	-	(13)	-	-	126	-	63	63
Plant & Equipment	2	552	2,121	897	1,776	-	-	616	(134)	(339)	-	-	189	2,691	961	1,919
Furniture & Fittings	2	60	54	57	57	-	-	-	-	(10)	-	-	60	54	67	47
Buildings - Buildings & Components	2	3,818	178	2,959	1,037	-	-	-	-	(141)	(271)	-	3,517	177	3,069	625
Other Assets		379	174	167	386	-	-	-	-	(28)	-	-	379	174	195	358
Total Infrastructure, Property, Plant & Equipment		43,928	9,729	19,108	34,549	-	73	1,735	(134)	(1,856)	(307)	4,537	73,280	4,394	39,077	38,597
Comparatives		44,563	7,835	17,794	34,604	-	2	1,891	(126)	(1,404)	(418)	-	43,928	9,729	19,108	34,549

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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

- Basis of valuation: Fair Value / Market Value / Written down current replacement cost
- Date of valuation: 30 June 2014.
- Valuer: Maloney Field Services.

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 2014 at current replacement cost. Additions are recognised at cost.

Buildings & Other Structures

- Basis of valuation: Fair Value / Market Value / Written down current replacement cost
- Date of valuation: 30 June 2014.
- Valuer: Maloney Field Services.

Buildings and other structures were revalued as at 30 June 2014 by Maloney Field Services.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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

\$ '000

Valuation of Assets (continued)

Infrastructure

Transportation assets including roads, footpaths, kerbs and gutters were valued by Council's independent valuer at written down current replacement cost for the period 1 July 2016. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure were valued by Council officers as at 30 June 2012 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure (CWMS) were valued by Council's independent valuer at written down current replacement cost for the period 1 July 2016. All acquisitions made after the respective dates of valuation are recorded at cost.

Roads, Kerb and Gutter, Footpaths

- Basis of valuation: Written down current replacement cost.
- Date of valuation: 1 July 2016.
- Valuer: Rick Gaylor, Gaylor Professional Services

Stormwater Drainage

- Basis of valuation: Depreciated current replacement cost.
- Date of valuation: 30 June 2012.
- Valuer: Council valuation.

Plant & Equipment

- Basis of valuation: Written down current replacement cost.
- Date of valuation: 30 June 2012.
- Valuer: Council valuation.

Plant furniture and equipment were valued by Council officers at written down current replacement cost during the reporting period ending 30 June 2012 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Furniture & Fittings

- Basis of valuation: Written down current replacement cost.
- Date of valuation: 30 June 2012.
- Valuer: Council valuation.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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

\$ '000

Valuation of Assets (continued).

All other Assets

- Basis of valuation: Written down current replacement cost.
- Date of valuation: 30 June 2009.
- Valuer: Council valuation.

Other assets were valued by Council officers at written down current replacement value during the reporting period ending 30 June 2009 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuations are recorded at cost.

Note 8. Liabilities

		2017	2017	2016	2016
\$ '000	Notes	Current	Non Current	Current	Non Current
(a). Trade and Other Payables					
Goods & Services		31	-	106	-
Accrued Expenses - Employee Entitlements		24	-	24	-
Accrued Expenses - Other		37	-	24	-
Aged Care Facility Deposits		396	-	400	-
Total Trade and Other Payables		488	-	554	-

Amounts included in trade & other payables that are not expected to be settled within 12 months of reporting date

Aged Care Facilities	396	400
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(b). Borrowings

Nil

(c). Provisions

Employee Entitlements (including oncosts)	279	35	276	30
Total Provisions	279	35	276	30

Amounts included in trade & other payables that are not expected to be settled within 12 months of reporting date

Employee entitlements	160	160
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District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 9. Reserves

\$ '000	1/7/2016	Increments (Decrements)	Transfers	Impairments	30/6/2017
Asset Revaluation Reserve					
Land - Other	725	-	-	-	725
Infrastructure					
- Stormwater Drainage	301	-	-	-	301
- CWMS	776	1,508	-	-	2,284
- Roads	16,740	2,453	-	-	19,193
- Footpaths, Kerb & Gutter	548	576	-	-	1,124
- Roads Furniture	62	-	-	-	62
Plant & Equipment	726	-	-	-	726
Furniture & Fittings	30	-	-	-	30
Buildings - All	439	(307)	-	-	132
Other Assets	255	-	-	-	255
Total Asset Revaluation Reserve	20,602	4,230	-	-	24,832
Comparatives	21,020	(418)	-	-	20,602

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).

Note 10. Assets Subject to Restrictions

Council does not hold any assets subject to restrictions

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2017	2016
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(a). Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	1,805	816
Less: Short-Term Borrowings	8	-	-
Balances per Statement of Cash Flows		1,805	816

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

Net Surplus/(Deficit)		812	52
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		1,856	1,404
Net (Gain) Loss on Disposals		(83)	(48)
		2,585	1,408
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		2	(2)
Net (Increase)/Decrease in Inventories		(2)	9
Net Increase/(Decrease) in Trade & Other Payables		(62)	(477)
Net Increase/(Decrease) in Unpaid Employee Benefits		8	(43)
Net Cash provided by (or used in) operations		2,531	895

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
\$ '000										
Business Undertakings	-	-	-	-	-	-	-	-	3,310	-
Community Support/Amenities	44	39	207	163	(163)	(124)	-	-	661	661
Business & Economic Development	111	101	212	171	(101)	(70)	-	-	2,125	2,125
Environment	72	30	278	209	(206)	(179)	-	-	735	735
Recreation & Culture	33	24	306	260	(273)	(236)	10	6	626	553
Regulatory Services	20	17	42	50	(22)	(33)	-	-	-	-
Transport & Communication	1,352	980	1,927	1,696	(575)	(716)	1,297	849	26,908	25,789
Council Administration	1,242	1,388	542	634	700	754	1,849	712	4,388	4,388
Other Purposes NEC	1,872	642	494	28	1,378	614	-	-	2,548	2,066
Public Order & Safety	1	3	10	8	(9)	(5)	-	-	-	-
Health	3	1	3	2	-	(1)	-	-	-	-
Total Functions/Activities	4,750	3,225	4,021	3,221	729	4	3,156	1,567	41,301	36,317

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.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

Caravan Parks, Community Waste Water Mangement Scheme, Business Development and Contribution to the Regional Development Board and Tourism Services.

COMMUNITY SUPPORT/AMENITIES

Maintenance of Rented Housing and Retirement Village, Aged and Transport Services, Cemeteries and Public Conveniences.

CULTURE

Library Services, Mobile Libraries and Housebound Services, Static Libraries, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

BUSINESS AND ECONOMIC DEVELOPMENT

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

ENVIRONMENT

Waste Management, Domestic Waste Collection, Stormwater, Recycling, Waste Disposal Facility, Street Lighting, Roadside Vegetation, Land Care, Agricultural Services, Natural Resource Management Levy.

RECREATION AND CULTURE

Maintenance of Various Parks and Gardens, Ovals and Playgrounds and Street Scaping, Contribution and Support to two School Libraries, Historical Services and Maintenance of Pioneer Park and Various Community Halls.

REGULATORY SERVICES

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Parking Control, and Other Regulatory Services.

TRANSPORT AND COMMUNICATION

Construction and Maintenance of Roads, Drainage Works, Footpaths, Kerbing, Traffic Control, Signage and Cleaning of Streets.

UNCLASSIFIED ACTIVITIES

Grant Commission Road Grant, Interest Received, Loan Interest, Donations and Other.

COUNCIL ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Fire Prevention, Emergency Services and Supervision of By-Laws.

HEALTH

Food Control, Sanitary and Immunisations Services Support.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments

\$ '000

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.5% and 1.75% (2016: 1.75% and 2.00%). Short term deposits are held at call.

Carrying Amount:

Approximates fair value due to the short term to maturity.

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 2% (2016: 2%). 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).

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Receivables

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Liabilities

Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Liabilities

Retirement Home Contributions

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

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

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2017					
Financial Assets					
Cash & Equivalents	1,805	-	-	1,805	1,805
Receivables	36	-	-	36	41
Total Financial Assets	1,841	-	-	1,841	1,846
Financial Liabilities					
Payables	427	-	-	427	427
Total Financial Liabilities	427	-	-	427	427
2016					
Financial Assets					
Cash & Equivalents	816	-	-	816	816
Receivables	99	-	-	99	99
Total Financial Assets	915	-	-	915	915
Financial Liabilities					
Payables	506	-	-	506	506
Total Financial Liabilities	506	-	-	506	506

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.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

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

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

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

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

Note 14. Commitments for Expenditure

\$ '000	Notes	2017	2016
Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		20	-
Employee Remuneration Contracts		475	-
		495	-
These expenditures are payable:			
Not later than one year		194	-
Later than one year and not later than 5 years		301	-
Later than 5 years		-	-
		495	-

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2017	2017	2016	2015

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	729	15%	0%	36%
Total Operating Revenue	4,750			

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

1a. Adjusted Operating Surplus Ratio

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. The Adjusted Operating Surplus Ratio adjusts for the resulting distortion in the disclosed operating result for each year.

(59)	(1%)	0%	19%
4,750			

2. Net Financial Liabilities Ratio

Net Financial Liabilities	(1,204)	(25%)	(5%)	(12%)
Total Operating Revenue	4,750			

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.

3. Asset Sustainability Ratio

Net Asset Renewals	1,585	85%	130%	133%
Infrastructure & Asset Management Plan required expenditure	1,856			

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.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 15. Financial Indicators - Graphs (continued)

<div><div>1. Operating Surplus Ratio</div><div><div><div>Ratio %</div><div><div><div>40%</div><div>30%</div><div>20%</div><div>10%</div><div>0%</div></div><div><div>36%</div><div>0%</div><div>15%</div></div><div><div>2015</div><div>2016</div><div>2017</div></div></div></div></div></div>	<div><div>Purpose of Operating Surplus Ratio</div><div><div>This indicator is to determine the percentage the operating revenue varies from operating expenditure</div></div></div>	<div><div>Commentary on 2016/17 Result</div><div><div>2016/17 Ratio15%</div></div><div><div>The unadjusted ratio this year of 15% is distorted by the \$789K advanced financial assistance grants received in June.</div></div></div>
<div><div>1a. Adjusted Operating Surplus Ratio</div><div><div><div>Ratio %</div><div><div><div>25%</div><div>20%</div><div>15%</div><div>10%</div><div>5%</div><div>0%</div><div>-5%</div><div>-10%</div></div><div><div>19%</div><div>0%</div><div>-1%</div></div><div><div>2015</div><div>2016</div><div>2017</div></div></div></div></div></div>	<div><div>Purpose of Adjusted Operating Surplus Ratio</div><div><div>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</div></div></div>	<div><div>Commentary on 2016/17 Result</div><div><div>2016/17 Ratio-1%</div></div><div><div>The adjusted ratio this year of -1% is largely the result of increased depreciation charges for roads assets.</div></div></div>
<div><div>2. Net Financial Liabilities Ratio</div><div><div><div>Ratio %</div><div><div><div>0%</div><div>-5%</div><div>-10%</div><div>-15%</div><div>-20%</div><div>-25%</div><div>-30%</div></div><div><div>2015</div><div>2016</div><div>2017</div></div><div><div>-12%</div><div>-5%</div><div>-25%</div></div></div></div></div></div>	<div><div>Purpose of Net Financial Liabilites Ratio</div><div><div>This indicator shows the significance of the net amount owed to others, compared to operating revenue</div></div></div>	<div><div>Commentary on 2016/17 Result</div><div><div>2016/17 Ratio-25%</div></div><div><div>Council's strong cash position at year end meant resulted in a weaker net indebtedness ratio.</div></div></div>
<div><div>3. Asset Sustainability Ratio</div><div><div><div>Ratio %</div><div><div><div>150%</div><div>100%</div><div>50%</div><div>0%</div></div><div><div>133%</div><div>130%</div><div>85%</div></div><div><div>2015</div><div>2016</div><div>2017</div></div></div></div></div></div>	<div><div>Purpose of Asset Sustainability Ratio</div><div><div>This indicator aims to determine if assets are being renewed and replaced in an optimal way</div></div></div>	<div><div>Commentary on 2016/17 Result</div><div><div>2016/17 Ratio85%</div></div><div><div>Council targets to achieve 80% assets renewal and replacement and which was achieved this year.</div></div></div>

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 16. Uniform Presentation of Finances

\$ '000

2017

2016

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

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

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

Income	4,750	3,225
less Expenses	(4,021)	(3,221)
Operating Surplus / (Deficit)	729	4
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	1,780	1,991
less Depreciation, Amortisation and Impairment	(1,856)	(1,404)
less Proceeds from Sale of Replaced Assets	(195)	(171)
Subtotal	(271)	416
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	-	2
less Amounts Received Specifically for New and Upgraded Assets	-	-
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	(43)	(3)
Subtotal	(43)	(1)
Net Lending / (Borrowing) for Financial Year	1,043	(411)

Note 17. Operating Leases

Council does not have any Operating Leases

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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 2016/17; 9.50% in 2015/16). 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 2015/16) 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, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. 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.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 19. Interests in Other Entities

\$ '000

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

Council has no interest in any Joint Ventures, Associates and Joint Operations.

(a) Relevant Interests	Interest in		Ownership		Proportion of	
	Operating		Share of		Voting Power	
Name of Entity	2017	2016	2017	2016	2017	2016
Mid Murray Karoonda East Murray Plant Committee	0%	0%	0%	0%	0%	0%

(b) Movement in Investment in Joint Venture or Associate

	Mid Murray Karoonda East Murray Plant Committee	
	2017	2016
Opening Balance	-	95
Adjustments to Equity	-	(95)
Council's Equity Share in the Joint Venture or Associate	-	-

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

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

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

Council does not have any Contingencies and Assets or Liabilities not recognised in the Balance Sheet.

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2017, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 08/09/17.

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

Note 23. Related Party Transactions

\$ '000

2017

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*. No one was paid any of the following compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	-
Post-Employment Benefits	-
Long-Term Benefits	-
Termination Benefits	-
Total	-

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:

Contributions for Fringe Benefits Tax purposes	5
Total	5

District Council of Karoonda East Murray

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 24. Council Information & Contact Details

Principal Place of Business:

11 Railway Terrace
Karoonda SA 5307

Contact Details

Mailing Address:

PO Box 58
Karoonda SA 5307

Opening Hours:

Opening Hours: 9am to 5pm
Monday to Friday
Closed on public holidays

Telephone: 08 8578 1004

Facsimile: 08 8578 1246

Internet: www.dckem.sa.gov.au

Email: council@dckem.sa.gov.au

Officers

Acting CHIEF EXECUTIVE OFFICER

Katrina Fromm

Elected Members

MAYOR

Kevin Burdett

COUNCILLORS

Caroline Phillips

Yvonne Smith

Daryl Sparks

Morris Terrell

John Wooldridge

Darren Zadow

AUDITORS

Steven Andrew Russo
PKF Adelaide

Other Information

ABN: 36 186 937 991

30 October 2017

Independent Auditor's Report

To the members of District Council of Karoonda East Murray

Qualified Opinion

Report on the Financial Report

We have audited the accompanying financial report of District Council of Karoonda East Murray, which comprises the statement of comprehensive income, the statement of financial position as at 30 June 2017, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Chief Executive Officer's declaration.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of District Council of Karoonda East Murray as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding the 2016 comparative balances and the opening balances of the 2017 financial year.

Other Matter

The financial report of District Council of Karoonda East Murray for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on the financial report on 11 November 2016.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and *Local Government (Financial Management) Regulations 2011*, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on the audit. Our objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer.
- Conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

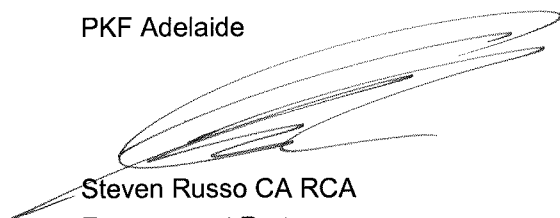
I communicate with the Chief Executive Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011*, and the Australian professional accounting bodies.

PKF Adelaide



Steven Russo CA RCA
Engagement Partner
Level 9, 81 Flinders Street
ADELAIDE SA 5000

30 October 2017

30 October 2017

Independent Assurance Report on the Internal Controls of the District Council of Karoonda East Murray

To the members of District Council of Karoonda East Murray

Adverse opinion:

We have audited the compliance of the District Council of Karoonda East Murray (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Council has not complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2016 to 30 June 2017.

Basis for Adverse Opinion

The following internal control weaknesses were present during the period 1 July 2016 to 30 June 2017:

- Council has not prepared and implemented an adequate Asset Management Plan.
- Council has not prepared and implemented an adequate Long Term Financial Plan.
- Council's assessment of all facets of internal control have not been completed satisfactorily to ensure that all risks have been addressed and controls appropriately designed.
- Council's internal controls were not operating effectively for the entire period 1 July 2016 to 30 June 2017.
- Controls have not been appropriately designed, specifically, there is no documented policy, and no independent review occurs.

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* in relation to Internal Controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

Limitation on Use

This report has been prepared for the members of the Council in accordance with Section 129 of the *Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Inherent Limitations

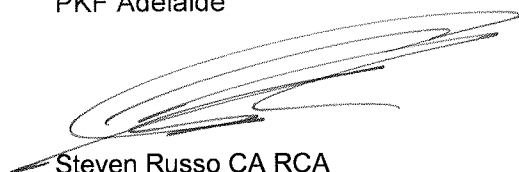
Because of the inherent limitations of any compliance procedure, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with Section 125 of the *Local Government Act 1999* in relation to the Internal Controls specified above, as the engagement is not performed continuously throughout the period and the procedures performed in respect of compliance with Section 125 of the *Local Government Act 1999* in relation to the Internal Controls specified above are undertaken on a test basis.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our audit we have complied with the independence requirements of the *Local Government Act 1999*, the *Local Government (Financial Management) Regulations 2011*, and the Australian professional accounting bodies.

PKF Adelaide



Steven Russo CA RCA
Engagement Partner
Level 9, 81 Flinders Street
ADELAIDE SA 5000
30 October 2017

District Council of Karoonda East Murray

General Purpose Financial Statements for the year ended 30 June 2017

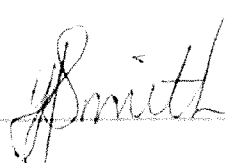
Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of District Council of Karoonda East Murray for the year ended 30 June 2017, the Council's Auditor, PKF Accounting 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*.



Katrina Fromm
ACTING CHIEF EXECUTIVE OFFICER



Cr Yvonne Smith
PRESIDING MEMBER, AUDIT COMMITTEE

Date: 30/10/2017

Auditor's Independence Declaration

To Ms Katrina Fromm
District Council of Karoonda East Murray

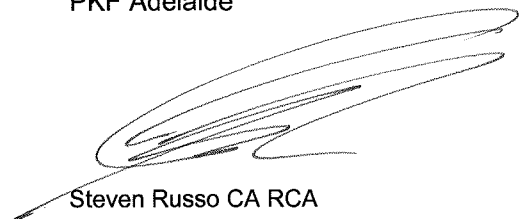
Auditor's Independence Declaration under Section 16A of the *Local Government (Financial Management) Regulations 2011* to the Members of the District Council of Karoonda East Murray.

As lead engagement partner for the audit of District Council of Karoonda East Murray for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the independence requirements of the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*, made under the that Act, in relation to the audit of the financial statements; and
- No contraventions of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Boards.

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

PKF Adelaide



Steven Russo CA RCA
Engagement Partner
Level 9, 81 Flinders Street
ADELAIDE SA 5000
30 October 2017

District Council of Karoonda East Murray


General Purpose Financial Statements

for the year ended 30 June 2017

Statement by Auditor

I confirm that, for the audit of the financial statements of District Council of Karoonda East Murray for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



Steven Andrew Russo
PKF Adelaide

Dated this 30th day of October 2017.