

# **GENERAL PURPOSE ANNUAL FINANCIAL STATEMENTS**

For the year ended 30 June 2016



Adopted 8th November 2016

DISTRICT COUNCIL OF KAROONDA EAST MURRAY  
Annual Financial Statements for the year ended 30 June 2016

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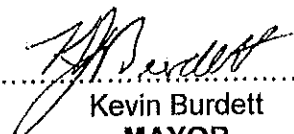
**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2016**

**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 2016 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.

  
.....  
Peter Smithson  
CHIEF EXECUTIVE OFFICER

  
.....  
Kevin Burdett  
MAYOR

Date: 8.11.2016

# STATEMENT OF COMPREHENSIVE INCOME

## for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>INCOME</b>			
Rates	2	1,230,381	1,180,166
Statutory charges	2	20,373	15,157
User charges	2	77,366	53,876
Grants, subsidies and contributions*	2	1,567,304	3,273,555
Investment income	2	16,569	17,122
Reimbursements	2	34,290	32,913
Other income	2	278,652	61,183
<b>Total Income</b>		<u>3,224,935</u>	<u>4,633,972</u>
<b>EXPENSES</b>			
Employee costs	3	787,758	739,737
Materials, contracts & other expenses	3	1,028,631	896,806
Depreciation, amortisation & impairment	3	1,404,363	1,326,176
Net loss - equity accounted Council businesses	19		4,775
<b>Total Expenses</b>		<u>3,220,753</u>	<u>2,967,494</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>4,182</b>	<b>1,666,478</b>
Asset disposal & fair value adjustments	4	<u>47,935</u>	<u>11,745</u>
<b>NET SURPLUS / (DEFICIT)</b>		<b>52,117</b>	<b>1,678,223</b>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	<u>(418,034)</u>	<u>149,186</u>
<b>Total Other Comprehensive Income</b>		<b>(418,034)</b>	<b>149,186</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><b>(365,917)</b></u>	<u><b>1,827,409</b></u>

# STATEMENT OF FINANCIAL POSITION

## for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	815,761	1,736,477
Trade & other receivables	5	206,733	204,611
Inventories	5	78,521	86,857
		<u>1,101,015</u>	<u>2,027,945</u>
<b>Total Current Assets</b>		<b>1,101,015</b>	<b>2,027,945</b>
<b>Non-current Assets</b>			
Financial assets	6	-	4,000
Equity accounted investments in Council businesses	6	-	95,331
Infrastructure, property, plant & equipment	7	34,548,800	34,604,414
Other non-current assets	6	667,314	566,698
		<u>35,216,114</u>	<u>35,270,443</u>
<b>Total Non-current Assets</b>		<b>35,216,114</b>	<b>35,270,443</b>
<b>Total Assets</b>		<b>36,317,129</b>	<b>37,298,388</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	554,487	1,039,001
Provisions	8	276,246	304,314
		<u>830,733</u>	<u>1,343,315</u>
<b>Total Current Liabilities</b>		<b>830,733</b>	<b>1,343,315</b>
<b>Non-current Liabilities</b>			
Provisions	8	29,782	37,211
		<u>29,782</u>	<u>37,211</u>
<b>Total Non-current Liabilities</b>		<b>29,782</b>	<b>37,211</b>
<b>Total Liabilities</b>		<b>860,515</b>	<b>1,380,526</b>
<b>NET ASSETS</b>		<b>35,456,614</b>	<b>35,917,862</b>
<b>EQUITY</b>			
Accumulated Surplus		14,854,189	14,897,403
Asset Revaluation Reserves	9	20,602,425	21,020,459
<b>TOTAL EQUITY</b>		<b>35,456,614</b>	<b>35,917,862</b>

This Statement is to be read in conjunction with the attached Notes.

# STATEMENT OF CHANGES IN EQUITY

## for the year ended 30 June 2016

2016	Notes	\$	\$	\$
Balance at end of previous reporting period		14,897,403	21,020,459	35,917,862
Restated opening balance		14,897,403	21,020,459	35,917,862
<b>Net Surplus / (Deficit) for Year</b>		52,117		52,117
<b>Other Comprehensive Income</b>				
Gain on revaluation of infrastructure, property, plant & equipment			(418,034)	(418,034)
Other equity adjustments - equity accounted Council businesses		(95,331)		(95,331)
<b>Balance at end of period</b>		<b>14,854,189</b>	<b>20,602,425</b>	<b>35,456,614</b>

<b>2015</b>				
Balance at end of previous reporting period		13,219,180	20,871,273	34,090,453
Restated opening balance		13,219,180	20,871,273	34,090,453
<b>Net Surplus / (Deficit) for Year</b>		1,678,223		1,678,223
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment			149,186	149,186
<b>Balance at end of period</b>		<b>14,897,403</b>	<b>21,020,459</b>	<b>35,917,862</b>

This Statement is to be read in conjunction with the attached Notes

# STATEMENT OF CASH FLOWS

## for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		1,196,971	1,180,938
Fees & other charges		21,992	15,157
User charges		105,532	106,926
Investment receipts		18,057	19,697
Grants utilised for operating purposes		1,684,852	3,273,555
Reimbursements		33,724	32,913
Other revenues		255,963	43,162
<u>Payments</u>			
Employee costs		(830,597)	(680,942)
Materials, contracts & other expenses		(1,602,563)	(603,387)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>894,748</b>	<b>3,388,019</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Sale of replaced assets		171,243	73,538
Sale of surplus assets		3,000	
Sale of real estate developments		-	20,024
Repayments of loans by community groups		4,000	4,000
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,991,757)	(928,222)
Expenditure on new/upgraded assets		(1,950)	(1,568,397)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(1,815,464)</b>	<b>(2,399,057)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from aged care facility deposits		-	95,000
<u>Payments</u>			
Repayment of aged care facility deposits		-	(1,000)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>-</b>	<b>94,000</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(920,716)</b>	<b>1,082,962</b>
 Cash & cash equivalents at beginning of period	10	<b>1,736,477</b>	<b>653,515</b>
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>815,761</b>	<b>1,736,477</b>

This Statement is to be read in conjunction with the attached Notes

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016**

### **Note 1 - SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial report 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 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 (1/5/2011).

##### ***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 this Note.

##### ***1.4 Rounding***

All amounts in the financial statements have been rounded to the nearest dollar (\$).

#### **2. The Local Government Reporting Entity**

The District Council of Karoonda East Murray is incorporated under the SA 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 the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. The year ended 30 June 2016 saw the ceasing of the advance payment and hence the expected adjustment to the accounts has taken place, evidenced in the lower grant income lower operating surplus ratios against respective comparatives.

The actual amounts of untied grants received during the reporting periods (including the advance allocations) are disclosed in Note 2.

### **3.1 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".

## **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 Land under roads**

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

### **6.2 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.

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed ready for use.

### **6.3 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 in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

### **6.4 Subsequent Recognition**

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Further detail of existing valuations, methods and valuers are provided at Note 7.

### **6.5 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 is recognized on a straight-line basis.

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

Major depreciation periods for each class of asset are shown in Note 7. 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.

### **6.6 Impairment**

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. 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 outflows or value in use).

For 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, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

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.

## **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 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 Local Government 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. Pending Accounting Standards**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been used in preparing these reports.

AASB 7 Financial Instruments - Disclosures

AASB 9 Financial Instruments

AASB 15 Revenue from Contracts with Customers

AASB 124 Related Party Disclosures

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

(Standards not affecting local government have been excluded from the above list.)

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 Contributions. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

Accounting Standard AASB 16 Leases may have a material effect on the amounts disclosed in these reports, particularly in relation to Infrastructure, Property, Plant & Equipment, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 2 - INCOME**

	Notes	2016 \$	2015 \$
<b>RATES REVENUES</b>			
<u>General Rates</u>		<u>1,121,022</u>	<u>1,069,106</u>
		1,121,022	1,069,106
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		26,347	26,244
Community wastewater management systems		<u>80,220</u>	<u>77,450</u>
		106,567	103,694
<u>Other Charges</u>			
Penalties for late payment		<u>2,792</u>	<u>7,367</u>
		2,792	7,367
		<u>1,230,381</u>	<u>1,180,166</u>
 <b>STATUTORY CHARGES</b>			
Development Act fees		8,663	3,305
Town planning fees		1,894	2,403
Health & Septic Tank Inspection fees		1,091	1,242
Animal registration fees & fines		6,486	5,441
Search Fees		<u>2,239</u>	<u>2,767</u>
		20,373	15,157
 <b>USER CHARGES</b>			
Cemetery/crematoria fees		2,141	3,041
Hall hire & photocopying		776	798
Property Hire/ Rental		51,757	45,501
Sales - general		1,703	291
Caravan Park & Cabin Hire		<u>20,989</u>	<u>4,245</u>
		77,366	53,876
 <b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		16,365	16,921
Banks & other		<u>205</u>	<u>201</u>
		16,569	17,122

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**NOTE 2 - INCOME (continued)**

	Notes	2016 \$	2015 \$
<b>REIMBURSEMENTS</b>			
- for private works		31,541	2,137
- by joint undertakings		<u>2,749</u>	<u>30,159</u>
		<u>34,290</u>	<u>32,913</u>
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment	✓	71,145	21,012
Centenary Sales & Souvenirs		157	51
Wind up of interest in other entities		93,453	
Sundry	✓	<u>113,898</u>	<u>40,120</u>
		<u>278,652</u>	<u>61,183</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		749,469	2,362,038
Roads to Recovery		693,140	71,000
Special Roads Grant			800,000
Sundry	✓	124,695	40,517
		<u>1,567,304</u>	<u>3,273,555</u>
		<u>1,567,304</u>	<u>3,273,555</u>
<i>The functions to which these grants relate are shown in Note 11</i>			
<b>Sources of grants</b>			
Commonwealth government	✓	790,101	827,895
State government	✓	758,744	2,445,660
Other		18,459	0
		<u>1,567,304</u>	<u>3,273,555</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**  
**Note 3 - EXPENSES**

	Notes	2016 \$	2015 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		771,800	729,357
Employee leave expense		102,048	128,976
Superannuation - defined contribution plan contributions	18	38,969	34,631
Superannuation - defined benefit plan contributions	18	71,364	68,999
Workers' Compensation Insurance		40,754	31,499
Less: Capitalised and distributed costs		(237,177)	(253,725)
<b>Total Operating Employee Costs</b>		<b>787,758</b>	<b>739,737</b>

**Total Number of Employees** 18 19  
*(Full time equivalent at end of reporting period)*

**MATERIALS, CONTRACTS & OTHER EXPENSES**

Prescribed Expenses

Auditor's Remuneration			
- Auditing the financial reports		4,400	3,600
Elected members' expenses		79,580	75,106
Election expenses		295	4,437
<b>Subtotal - Prescribed Expenses</b>		<b>84,275</b>	<b>83,143</b>

Other Materials, Contracts & Expenses

Contractors		498,624	386,054
Energy		30,119	22,899
Water		33,301	24,444
Legal Expenses		17,683	
Levies paid to government - NRM levy		27,300	26,149
- Other Levies		15,721	14,849
Parts, accessories & consumables		238,707	209,323
Sundry		82,901	129,945
<b>Subtotal - Other Materials, Contracts &amp; Expenses</b>		<b>944,356</b>	<b>813,663</b>
		<b>1,028,631</b>	<b>896,806</b>

**DEPRECIATION, AMORTISATION & IMPAIRMENT**

**Depreciation**

Buildings & Components		139,550	145,556
Buildings & Other Structures		27,058	27,058
Infrastructure		-	
- Roads		810,310	757,390
- Footpaths, Kerb & Gutter		30,360	30,360
- Stormwater Drainage		15,754	12,694
- CWMS		27,941	27,941
Plant & Equipment		312,601	290,962
Furniture & Fittings		12,531	12,788
Other Assets		28,258	21,427
		<b>1,404,363</b>	<b>1,326,176</b>
		<b>1,404,363</b>	<b>1,326,176</b>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 4 – ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS**

	2016	2015
Notes	\$	\$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	171,243	73,538
Less: Carrying amount of assets sold	<u>124,741</u>	<u>81,507</u>
<b>Gain (Loss) on disposal</b>	<u>46,502</u>	<u>(7,969)</u>
<i>Assets surplus to requirements</i>		
Proceeds from disposal	3,000	
Less: Carrying amount of assets sold	<u>1,567</u>	
<b>Gain (Loss) on disposal</b>	<u>1,433</u>	<u>-</u>
<b>REAL ESTATE DEVELOPMENT ASSETS</b>		
Proceeds from disposal		20,024
Less: Carrying amount of assets sold		<u>310</u>
<b>Gain (Loss) on disposal</b>	<u>-</u>	<u>19,714</u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	<u>47,935</u>	<u>11,745</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 5 – CURRENT ASSETS**

	2016	2015
<b>CASH &amp; EQUIVALENT ASSETS</b>	<b>\$</b>	<b>\$</b>
Cash on Hand and at Bank	43,415	74,195
Deposits at Call	772,346	1,662,282
	<u>815,761</u>	<u>1,736,477</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	107,617	74,207
Accrued Revenues	42,918	4,465
Debtors - general	30,716	53,395
GST Recoupment	21,108	68,544
Prepayments	374	
Loans to community organisations	4,000	4,000
	<u>206,733</u>	<u>204,611</u>
 <b>INVENTORIES</b>		
Stores & Materials	36,021	44,357
Real Estate Developments	42,500	42,500
	<u>78,521</u>	<u>86,857</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 6 – NON CURRENT ASSETS**

	Notes	2016 \$	2015 \$
<b>FINANCIAL ASSETS</b>			
Receivables			
Loans to community organisations		-	4,000
<b>TOTAL FINANCIAL ASSETS</b>		<u>-</u>	<u>4,000</u>
 <b>EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES</b>			
Mid Murray/Karoonda East Murray Plant	19	-	95,331
Committee	19	-	95,331
		<u>-</u>	<u>95,331</u>
 <b>OTHER NON-CURRENT ASSETS</b>			
Inventories			
Real Estate Developments		366,861	366,861
		<u>366,861</u>	<u>366,861</u>
Capital Works-in-Progress		300,453	199,837
		<u>667,314</u>	<u>566,698</u>
 <i>Real Estate Developments - Current &amp; Non-Current</i> <i>(Valued at the lower of cost and net realisable value)</i>			
Residential		409,361	409,361
<b>Total Real Estate for Resale</b>		<u>409,361</u>	<u>409,361</u>
 <i>Represented by:</i>			
Acquisition Costs		409,361	409,361
<b>Total Real Estate for Resale</b>		<u>409,361</u>	<u>409,361</u>
 <b>Apportionment of Real Estate Developments</b>			
Current Assets		42,500	42,500
Non-Current Assets		366,861	366,861
		<u>409,361</u>	<u>409,361</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 7 – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT**

Fair Value Level		2015				2016			
		\$				\$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT									
Land	2	-	-	-	-	-	-	-	
Land	3	1,253,703	-	-	1,253,703	1,253,703	-	1,253,703	
Buildings & Components	2	4,106,307	177,462	(2,816,665)	1,467,104	3,817,834	177,462	(2,959,582)	
Buildings & Other Structures	3	484,595	-	(306,763)	177,832	430,480	-	(333,820)	
Infrastructure		-	-	-	-	-	-	-	
- Roads	3	34,008,700	5,593,743	(12,938,823)	26,663,620	34,008,700	7,006,535	(13,821,212)	
- Footpaths, Kerb & Gutter	3	1,238,049	12,787	(479,731)	771,105	1,238,049	12,787	(510,091)	
- Stormwater Drainage	3	611,750	105,676	(38,455)	678,971	611,750	105,676	(54,209)	
- CWMS	3	1,576,928	75,946	(280,821)	1,372,053	1,576,928	75,946	(308,762)	
Plant & Equipment		843,870	1,643,035	(749,966)	1,736,939	551,870	2,121,384	(896,876)	
Furniture & Fittings		59,750	52,524	(44,161)	68,113	59,750	54,474	(56,692)	
Other Assets		379,440	174,423	(138,889)	414,974	379,440	174,423	(167,147)	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		44,563,092	7,835,596	(17,794,274)	34,604,414	43,928,504	9,728,687	(19,108,391)	
Comparatives		44,513,459	5,286,689	(16,487,303)	33,312,845	44,563,092	7,835,596	(17,794,274)	

	2015	CARRYING AMOUNT MOVEMENTS DURING YEAR								2016
	\$	\$								\$
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals	In				Out			
Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT										
Land	1,253,703	-	-	-	-	-	-	-	-	1,253,703
Buildings & Components	1,467,104	-	-	-	(139,550)	-	-	-	(291,840)	1,035,714
Buildings & Other Structures	177,832	-	-	-	(27,058)	-	-	-	(54,114)	96,660
Infrastructure	-	-	-	-	-	-	-	-	-	-
- Roads	26,663,620	-	1,412,793	-	(810,310)	-	-	-	(72,080)	27,194,023
- Footpaths, Kerb & Gutter	771,105	-	-	-	(30,360)	-	-	-	-	740,745
- Stormwater Drainage	678,971	-	-	-	(15,754)	-	-	-	-	663,217
- CWMS	1,372,053	-	-	-	(27,941)	-	-	-	-	1,344,112
Plant & Equipment	1,736,939	-	478,348	(126,308)	(312,601)	-	-	-	-	1,776,378
Furniture & Fittings	68,113	1,950	-	-	(12,531)	-	-	-	-	57,532
Other Assets	414,974	-	-	-	(28,258)	-	-	-	-	386,716
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	34,604,414	1,950	1,891,141	(126,308)	(1,404,363)	-	-	-	(418,034)	34,548,800
Comparatives	33,312,845	1,568,397	981,669	(81,507)	(1,326,176)				149,186	34,604,414

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

##### General Valuation Principles

**Accounting procedure:** 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, fair value is taken to be the current replacement cost.

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

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

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

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

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

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

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

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

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.

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

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

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

Plant, Furniture & Equipment	
Office Equipment	5 to 10 year
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
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

#### Land & Land Improvements

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

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

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

**Buildings & Other Structures**

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

**Infrastructure**

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2012. The valuation was done by an assessment of Road Categories and the remaining useful life of the roads in accordance with Council's Long Term Assets and Infrastructure Plan. The value of each Road Category was based on a cent per kilometre averaged out at the actual cost per kilometre over the previous three years. 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 were valued by Council officers at written down current replacement cost during the period ended 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.

**Plant, Furniture & Equipment**

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.

**All other assets**

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 8 – LIABILITIES**

	Notes	2016		2015	
		\$		\$	
<b>TRADE &amp; OTHER PAYABLES</b>		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Goods & Services	✓	106,590		572,844	
Accrued expenses - employee entitlements		24,226		31,568	
Accrued expenses - other	✓	23,721		32,389	
Aged Care Facility Deposits		399,950		402,200	
		<u>554,487</u>	-	<u>1,039,001</u>	-

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

**390,000**

**396,350**

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

**PROVISIONS**

Employee entitlements (including oncosts)	✓	<b>276,246</b>	✓	<b>29,782</b>	<b>304,314</b>	<b>37,211</b>
		<u>276,246</u>		<u>29,782</u>	<u>304,314</u>	<u>37,211</u>

*Amounts included in provisions that are not expected to be settled within 12 months of reporting date.*

**160,000**

**175,000**



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 9 – RESERVES**

<b>ASSET REVALUATION RESERVE</b>		<b>1/7/2015</b>	<b>Net Increments (Decrements)</b>	<b>Transfers, Impairments</b>	<b>30/6/2016</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land		725,795			725,795
Buildings & Components		785,355	(345,954 )		439,401
Infrastructure		18,498,778	(72,080 )		18,426,698
Plant & Equipment		725,845			725,845
Furniture & Fittings		29,526			29,526
Other Assets		255,160			255,160
<b>TOTAL</b>		<b>21,020,459</b>	<b>(418,034 )</b>		<b>20,602,425</b>
	<b>Comparatives</b>	<b>20,871,273</b>	<b>149,186</b>		<b>21,020,459</b>

**PURPOSES OF RESERVES**

**Asset Revaluation Reserve**

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 2016

**Note 10 – RECONCILIATION TO CASH FLOW STATEMENT**

**(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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2016 \$	2015 \$
Total cash & equivalent assets	5	<u>815,761</u>	<u>1,736,477</u>
Balances per Cash Flow Statement		<u>815,761</u>	<u>1,736,477</u>

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

Net Surplus (Deficit)	52,117	1,678,223
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,404,363	1,326,176
Equity movements in equity accounted investments (increase) decrease	-	4,775
Net increase (decrease) in unpaid employee benefits	(42,839)	58,795
Net (Gain) Loss on Disposals	<u>(47,935)</u>	<u>(11,745)</u>
	1,365,706	3,056,224
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(2,122)	68,114
Net (increase) decrease in inventories	8,336	7,490
Net increase (decrease) in trade & other payables	<u>(477,172)</u>	<u>256,191</u>
<b>Net Cash provided by (or used in) operations</b>	<u>894,748</u>	<u>3,388,019</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 11 – FUNCTIONS**

	INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL				
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration	1,388,085	1,106,953	634,086	368,300	753,999	738,653	694,338	1,859,062	4,388,323	4,296,076
Public Order & Safety	2,749	30,776	8,364	41,523	(5,615)	(10,747)				
Health	1,091	1,242	2,690	4,599	(1,599)	(3,357)				
Community Support/Amenities	38,821	43,976	162,560	181,753	(123,729)	(137,777)			667,882	834,490
Environment	30,010	34,377	208,671	195,188	(178,661)	(160,811)			735,233	753,233
Recreation & Culture	24,097	21,630	259,561	280,697	(235,454)	(259,067)	6,069	7,895	553,145	553,145
Regulatory Services	17,043	11,148	49,891	37,462	(32,848)	(26,314)				
Transport & Communication	979,979	1,408,734	1,696,678	1,388,442	(716,699)	20,292	948,438	1,406,598	25,769,058	26,639,956
Business & Economic Development	101,209	84,042	170,543	144,920	(69,334)	(60,878)			2,135,237	2,163,237
Other Purposes NEC	641,851	1,891,094	27,729	319,835	614,122	1,571,259			2,068,251	2,058,251
					-	-				
					-	-				
TOTALS	3,224,935	4,633,972	3,220,753	2,962,719	4,182	1,671,253	1,548,845	3,273,555	36,317,129	37,296,388

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 2016**

### **Note 11 (cont) - COMPONENTS OF FUNCTIONS**

The activities relating to Council functions are as follows:

#### **Administration**

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

#### **Community Support & Community Amenities**

Maintenance of rented housing and Retirement Village, Aged and Transport services, Cemeteries and Public Conveniences.

#### **Environment**

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

#### **Recreation & 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**

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

#### **Business Undertakings & Economic Development**

Caravan Parks, Community Waste Water Management Scheme, Business development and contribution to the Regional Development Board and tourism services.

#### **Unclassified Activities**

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

## Note 12 – FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

### Accounting Policies - Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 1.75% and 2% (2015: 2% and 2.5%). Short term deposits are held at call.</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b> Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures	<p><b>Accounting Policy:</b> 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.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 2% (2015: 2%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> 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.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> 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.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Receivables - Retirement Home Contributions</b>	<p><b>Accounting Policy:</b> 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.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Retirement Home Contributions</b>	<p><b>Accounting Policy:</b> To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> 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.</p> <p><b>Carrying amount:</b> approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

## Note 12 – FINANCIAL INSTRUMENTS (cont)

### Note 12 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	0	0	0	0	0
Cash & Equivalents	815,761			815,761	815,761
Receivables	99,116			99,116	99,116
<b>Total</b>	<b>914,877</b>	<b>-</b>	<b>-</b>	<b>914,877</b>	<b>914,877</b>
<b>Financial Liabilities</b>					
Payables	506,540			506,540	506,540
<b>Total</b>	<b>506,540</b>	<b>-</b>	<b>-</b>	<b>506,540</b>	<b>506,540</b>

2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	0	0	0	0	0
Cash & Equivalents	1,736,477			1,736,477	1,736,477
Receivables	130,404	4,000		134,404	134,404
<b>Total</b>	<b>1,866,881</b>	<b>4,000</b>	<b>-</b>	<b>1,870,881</b>	<b>1,870,881</b>
<b>Financial Liabilities</b>					
Payables	975,044			975,044	975,044
<b>Total</b>	<b>975,044</b>	<b>-</b>	<b>-</b>	<b>975,044</b>	<b>975,044</b>

#### Net Fair Value

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

#### 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

## Note 13 – FINANCIAL INDICATORS

	2016	2015	2014
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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. Detailed methods of calculation are set out in the SA Model Statements.

The Information Paper was revised in May 2015 and the financial indicators for previous years have been re-calculated in accordance with the revised formulas.

### Operating Surplus Ratio

<u>Operating Surplus</u>	0.0%	36.0%	4.0%
Total Operating Revenue			

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

### Adjusted Operating Surplus Ratio

	25%	19%	4%
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*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.*

### Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	-5%	-12%	1%
Total Operating Revenue			

*Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.*

### Asset Sustainability Ratio

<u>Net Asset Renewals</u>	122%	64%	98%
Infrastructure & Asset Management Plan required expenditure	*	*	*

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2016

**Note 14 – UNIFORM PRESENTATION OF FINANCES**

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

	2016 \$	2015 \$
Income	✓ 3,224,935	✓ 4,633,972
less Expenses	✓ 3,220,753	✓ 2,967,494
<b>Operating Surplus / (Deficit)</b>	<u>4,182</u>	<u>1,666,478</u>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	✓ 1,991,757	✓ 928,222
Depreciation, Amortisation and Impairment	✓ (1,404,363)	✓ (1,326,176)
Proceeds from Sale of Replaced Assets	✓ (171,243)	✓ (73,538)
	<u>416,151</u>	<u>(471,492)</u>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	✓ 1,950	✓ 1,568,397
Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	✓ (3,000)	✓ (20,024)
	<u>(1,050)</u>	<u>1,548,373</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<u>✓ (410,919)</u>	<u>✓ 589,597</u>



## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016**

### **Note 15 – SUPERANNUATION**

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

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2014/15; 9.25% in 2013/14). 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 2013/14) 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2016**

**Note 16 – EQUITY ACCOUNTED COUNCIL BUSINESSES**

All equity accounted Council businesses are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

Council's interests in the following equity accounted Council businesses was finalised in 2015/2016 by resolution of joint Councils dated 14 July 2015 and disclosed in this Notes below.

**Mid Murray Karoonda East Murray Plant Committee**  
 Established to share a Rockbuster and Tractor.

	2016	2015
<b>Mid Murray/Karoonda East Murray Plant Committee</b>	<b>\$</b>	<b>\$</b>
Council's respective interests are:		
- interest in the operating result	0%	50%
- ownership share of equity	0%	50%
- the proportion of voting power	0%	50%
<u>Movements in Investment in Joint Operation</u>	<u>\$</u>	<u>\$</u>
Opening Balance	95,331	100,106
Share in Operating Result		(4,775)
Adjustment to Equity Share	(95,331)	
<b>Share in Equity of Joint Operation</b>	<u>-</u>	<u>95,331</u>

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2016**

**COUNCIL CERTIFICATE 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 2016, the Council's Auditor, John D Ewen & Associates, 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*.

  
Peter Smithson  
**CHIEF EXECUTIVE OFFICER**

  
Cr Yvonne Smith  
**PRESIDING MEMBER  
AUDIT COMMITTEE**

Date: 8.11.2016

Date: 8.11.2016



# John D. Ewen & Associates

CHARTERED ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF KAROONDA EAST MURRAY**

We have audited the accompanying Financial Report of the District Council of Karoonda East Murray which comprises the balance sheet as at 30 June 2016 and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Chief Executive Officer's declaration as set out on pages 1 – 33.

### **THE 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 (including the Australian Accounting Interpretations) the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 1999*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial report based on my audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

### **AUDITOR'S INDEPENDENCE DECLARATION**

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

## AUDIT OPINION

In our opinion the financial report of the District Council of Karoonda East Murray is properly drawn up:

- a) To give a true and fair view of:
  - i) the Council's state of affairs as at 30 June 2015 and changes in equity resulting from operations and cashflows for the year ended on that date.
  - ii) the other matters required by the Local Government Act 1999 to be dealt with in the financial statements.
- b) According to the Local Government Act 1999, together with the Local Government Act 1999 (Financial Management) Regulations 1999 made under that Act; and
- c) According to Australian Accounting Standards and mandatory professional reporting requirements.

Signed at Adelaide this 11<sup>th</sup> day of *March* 2016

  
\_\_\_\_\_  
**JOHN D EWEN**  
**JOHN D EWEN & ASSOCIATES**  
**CHARTERED ACCOUNTANT**

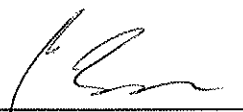
## AUDITOR'S INDEPENDENCE DECLARATION

**Auditor's Independence Declaration Under Section 16A of the Local Government (Financial Management) Regulations 1999 to The Members of the District Council of Karoonda East Murray.**

I confirm that, for the audit of the financial statements of the District Council of Karoonda East Murray for the year ended 30 June 2016, 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 1999* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 16A (4) *Local Government (Financial Management) Regulations 1999*.

Signed at Adelaide this 11<sup>th</sup> day of *March* 2016

  
\_\_\_\_\_  
**JOHN D EWEN**  
**JOHN D EWEN & ASSOCIATES**  
**CHARTERED ACCOUNTANT**





# John D. Ewen & Associates

CHARTERED ACCOUNTANTS

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## **Adverse opinion:**

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

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 2015 to 30 June 2016 have been conducted properly and in accordance with law.

### **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 2015 to 30 June 2016. 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 engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

## Basis for Adverse Opinion


The following internal control weaknesses were present during the period 1 July 2015 to 30 June 2016:

- Council has not prepared and implemented an adequate Asset Management 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 2016.
- Controls have not been appropriately designed, specifically, there is no documented policy, and no independent review occurs.

## 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 2015 to 30 June 2016.

Signed at Adelaide this 17<sup>th</sup> day of November 2016

  
\_\_\_\_\_  
JOHN D. EWEN  
JOHN D. EWEN & ASSOCIATES  
CHARTERED ACCOUNTANT