

District Council of Karoonda East Murray

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



District Council of Karoonda East Murray

General Purpose Financial Reports

for the year ended 30 June 2021

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District Council of Karoonda East Murray
Annual Financial Statements
for the year ended 30 June 2021

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 2021 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.



.....
Martin Borgas
CHIEF EXECUTIVE OFFICER



.....
Caroline Phillips
MAYOR

Date: 9/11/2021

District Council of Karoonda East Murray
Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
INCOME			
Rates	2	1,713	1,595
Statutory charges	2	51	16
User charges	2	312	207
Grants, subsidies and contributions	2	3,888	2,520
Investment income	2	18	21
Reimbursements	2	3	6
Other income	2	234	96
Total Income		6,219	4,461
EXPENSES			
Employee costs	3	1,276	1,182
Materials, contracts & other expenses	3	2,709	2,237
Depreciation, amortisation & impairment	3	1,594	1,608
Total Expenses		5,579	5,026
OPERATING SURPLUS / (DEFICIT)		640	(565)
Asset disposal & fair value adjustments	4	98	(74)
Amounts received specifically for new or upgraded assets	2	906	-
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		1,644	(639)
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	1,640	-
Impairment (expense) / recoupments offset to asset revaluation reserve	9	-	(6,327)
Total Other Comprehensive Income		1,640	(6,327)
TOTAL COMPREHENSIVE INCOME		3,284	(6,966)
Share of Net Surplus / (Deficit)			
Council		1,644	(639)
		1,644	(639)
Share of Other Comprehensive Income			
Council		1,640	(6,327)
		1,640	(6,327)
TOTAL COMPREHENSIVE INCOME		3,284	(6,966)
AASB 1058 Recognition			
Operating Result prior to AASB 1058 application		640	(565)
Grants Received in Advance 2019-20		(1,007)	-1440
Grants Received in Advance 2020-21		824	1007
Adjusted Operating Result to reflect AASB 1058		457	(998)
Adjusted Total Comprehensive Income to reflect AASB 1058		3,101	(7,399)

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

District Council of Karoonda East Murray
Statement of Financial Position
as at 30 June 2021

		2021	2020
ASSETS	Notes	\$'000	\$'000
Current Assets			
Cash and cash equivalents	5	2,632	3,703
Trade & other receivables	5	345	288
Inventories	5	6	12
Total Current Assets		2,983	4,003
Non-current Assets			
Infrastructure, property, plant & equipment	7	44,553	42,043
Other non-current assets	6	657	331
Total Non-current Assets		45,210	42,374
Total Assets		48,193	46,377
LIABILITIES			
Current Liabilities			
Trade & other payables	8	1,494	3,000
Provisions	8	194	150
		1,688	3,150
Total Current Liabilities		1,688	3,150
Non-current Liabilities			
Provisions	8	10	15
Total Non-current Liabilities		10	15
Total Liabilities		1,698	3,165
NET ASSETS		46,496	43,212
		2021	2020
EQUITY	Notes	\$'000	\$'000
Accumulated Surplus		16,523	14,879
Asset Revaluation Reserves	9	29,973	28,333
Other Reserves	9	-	-
Total Council Equity		46,496	43,212
TOTAL EQUITY		46,496	43,212

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

District Council of Karoonda East Murray
Statement of Changes in Equity
for the year ended 30 June 2021

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2021	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		14,879	28,333	-	43,212
Net Surplus / (Deficit) for Year		1,644			1,644
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment			1,640		1,640
Balance at end of period	9	16,523	29,973	-	46,496
2020					
Balance at end of previous reporting period		15,518	34,660	-	50,178
Restated opening balance		15,518	34,660	-	50,178
Net Surplus / (Deficit) for Year		(639)			(639)
Other Comprehensive Income					
Impairment (expense) / recoupments offset to asset revaluation reserve			(6,327)		(6,327)
Balance at end of period	9	14,879	28,333	-	43,212

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

District Council of Karoonda East Murray
Statement of Cash Flows
for the year ended 30 June 2021

		2021	2020
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		1,693	1,585
Fees & other charges		56	16
User charges		430	332
Investment receipts		18	247
Grants utilised for operating purposes		2,173	3,954
Reimbursements		3	6
Other revenues		528	339
<i>Payments:</i>			
Employee costs		(1,238)	(1,183)
Materials, contracts & other expenses		(2,947)	(2,764)
Net Cash provided by (or used in) Operating Activities		716	2,532
 CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		906	
Sale of replaced assets		247	35
Sale of surplus assets		7	
Sale of real estate developments		71	15
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(2,590)	(985)
Expenditure on new/upgraded assets		(427)	(69)
Net Cash provided by (or used in) Investing Activities		(1,787)	(1,004)
 CASH FLOWS FROM FINANCING ACTIVITIES		2021	2020
		\$'000	\$'000
<i>Receipts:</i>			
<i>Payments:</i>			
Repayment of aged care facility deposits		-	(99)
Net Cash provided by (or used in) Financing Activities		-	(99)
Net Increase (Decrease) in cash held		(1,071)	1,429
 Cash & cash equivalents at beginning of period	11	3,703	2,274
Cash & cash equivalents at end of period	11	2,632	3,703

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

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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.

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 thousand dollars (\$'000).

1.5 Covid-19

COVID-19 is not expected to have a significant financial impact on Council operations with the Council working to reduce discretionary expenditure in the short term to help mitigate the effect of the reduced revenue and increased costs. It is expected further financial impacts will flow into the 2021/22 financial year, but these have been largely taken into account during the development of the budget process for 2021/22. The budget assumptions for 2021/22 assume that no further harsher restrictions are put in place by the government. However, Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

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. 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

3.1 Revenue

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

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

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

Grants Commission Funds received in June for the next financial year have been shown as income received in advance in the Financial Reports. Therefore, neither the Financial Reports nor the Budget variances are distorted. AASB1058 recognition comparatives are shown within the Statements and Notes as applicable (Notes 2 and 8).

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

The actual amounts of untied grants received during the reporting periods are disclosed in Note 2. The disclosures have been made to make it clear to users of these statements that the untied financial assistance grants received in June 2021 have not been reported as income in the 2021 financial year as management believe this would be misleading as the associated expenditure of these funds will not occur until the 2021-22 financial year. Accordingly, the payment received in June 2021 has been included in note 8 under 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 also form 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.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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

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 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.

6.5 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.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

6.6 Borrowing Costs

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

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

9 Provisions

9.1 Employee Benefits

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 on costs) 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 on costs) 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.

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. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

9.2 Provisions for reinstatement, restoration, rehabilitation.

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

At present Council does not recognise any provisions for reinstatement, restoration or rehabilitation but will do so in the future if required.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

10 Leases

The Council is not a party to any leases covered by AASB16 during the 2020-21 financial year.

11 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.

12 New and amended standards and interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material:

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Council.

Amendments to AASB 16 Covid-19 Related Rent Concessions:

In 2020, the AASB issued AASB 2020-4, Amendments to AASs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. This amendment had no impact on the financial statements of the Council.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME

	Notes	2021 \$'000	2020 \$'000
RATES REVENUES			
<u>General Rates</u>		1,491	1,387
Less: Mandatory rebates		(9)	(10)
Less: Discretionary rebates, remissions & write offs		(8)	(9)
		<u>1,474</u>	<u>1,368</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		74	65
Waste collection		44	38
Community wastewater management systems		108	108
		<u>226</u>	<u>211</u>
<u>Other Charges</u>			
Penalties for late payment		14	16
		<u>14</u>	<u>16</u>
Less: Discretionary rebates, remissions & write offs			
		<u>1,713</u>	<u>1,595</u>
STATUTORY CHARGES			
Development Act fees		18	1
Town planning fees		19	4
Health & Septic Tank Inspection fees		1	1
Animal registration fees & fines		8	8
Other licences, fees, & fines		4	2
		<u>51</u>	<u>16</u>
USER CHARGES			
Cemetery/crematoria fees		3	4
Property Lease		18	24
Cabin Hire & Powered Site fees		53	25
Mallee Kids Child Care Centre		188	136
Sales - general		50	18
Subsidies received on behalf of users			
Sundry			
		<u>312</u>	<u>207</u>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME (con't)

	2021	2020
INVESTMENT INCOME	Notes \$'000	\$'000
Interest on investments:		
Local Government Finance Authority	18	21
	<u>18</u>	<u>21</u>
REIMBURSEMENTS		
- for private works	3	4
- other		2
	<u>3</u>	<u>6</u>
OTHER INCOME		
Farm Fair contribution	147	-
Rebates received	65	66
Sundry	22	30
	<u>234</u>	<u>96</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS		
Amounts received specifically for new or upgraded assets	906	-
Other grants, subsidies and contributions		
Other grants, subsidies and contributions	27	218
Untied - Financial Assistance Grant	1,545	1,698
Roads to Recovery	518	518
Special Local Roads	170	
Drought Community Funding	400	86
Pest & Weed Control	685	
FRRR	50	
LRCI	423	
BBRF	20	
LG Youth Led Recovery	50	
	<u>3,888</u>	<u>2,520</u>
	<u>4,794</u>	<u>2,520</u>
<i>The functions to which these grants relate are shown in Note 12.</i>		
AASB 1058 Recognition		
Grants, Subsidies, Contributions per above	4,794	2,520
Grants Received in Advance 2019-20	(1,007)	(1,440)
Grants Received in Advance 2020-21	824	1,007
Adjusted Grants, Subsidies, Contributions received during the year	<u>4,611</u>	<u>2,087</u>
Sources of grants		
Commonwealth government	2,565	822
State government	2,229	1,698
Other	(1)	-
	<u>4,794</u>	<u>2,520</u>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 3 - EXPENSE

	Notes	2021 \$'000	2020 \$'000
EMPLOYEE COSTS			
Salaries and Wages		1,134	1,061
Employee leave expense		174	151
Superannuation - defined contribution plan contributions	18	113	104
Superannuation - defined benefit plan contributions	18	2	2
Less: Capitalised and distributed costs		(146)	(136)
Total Operating Employee Costs		1,276	1,182
 Total Number of Employees		 14	 14
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		8	10
Elected members' expenses		96	83
Election expenses			1
Subtotal - Prescribed Expenses		104	94
<u>Other Materials, Contracts & Expenses</u>			
Contractors		2,988	1,654
Materials		1,213	403
Energy		39	44
Legal Expenses		30	16
Levies paid to government - NRM levy		69	63
- Other Levies		37	31
Insurance		141	134
Other Expenses		467	260
Parts, accessories & consumables		433	430
Water		51	66
Less: Capitalised and Distributed Costs		(2,862)	(959)
Subtotal - Other Materials, Contracts & Expenses		2,605	2,143
		2,709	2,237
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Structures		34	14
Stormwater Drainage		19	10
CWMS		62	54
Roads		978	975
Footpaths, Kerb & Gutter		29	29
Plant & Equipment		247	321
Furniture & Fittings		8	7
Buildings		171	161
Other Assets		47	37
		1,594	1,608

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

	Notes	2021 \$'000	2020 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		247	35
Less: Carrying amount of assets sold		125	109
Gain (Loss) on disposal		<u>122</u>	<u>(74)</u>
<i>Assets surplus to requirements</i>			
Proceeds from disposal		7	
Gain (Loss) on disposal		<u>7</u>	<u>-</u>
REAL ESTATE DEVELOPMENT ASSETS			
Proceeds from disposal		71	15
Less: Carrying amount of assets sold		102	15
Gain (Loss) on disposal		<u>(31)</u>	<u>-</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>98</u>	<u>(74)</u>

Note 5 - CURRENT ASSETS

	Notes	2021 \$'000	2020 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		148	469
Deposits at Call		2,484	3,234
		<u>2,632</u>	<u>3,703</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		233	213
Accrued Revenues		1	1
Debtors - general		30	8
Other levels of Government		32	36
GST Recoupment		49	27
Prepayments		3	3
		<u>345</u>	<u>288</u>
INVENTORIES			
Stores & Materials		6	12
		<u>6</u>	<u>12</u>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 6 - NON-CURRENT ASSETS

		2021	2020
FINANCIAL ASSETS	Notes	\$'000	\$'000
OTHER NON-CURRENT ASSETS			
Inventories			
Real Estate Developments		<u>229</u>	<u>331</u>
		229	331
Capital Works-in-Progress		<u>428</u>	<u>331</u>
		657	331
 <i>Real Estate Developments - Current & Non-Current</i>			
<i>(Valued at the lower of cost and net realisable value)</i>			
<i>Residential</i>		<u>229</u>	<u>331</u>
<i>Total Real Estate for Resale</i>		<u>229</u>	<u>331</u>
 <i>Represented by:</i>			
<i>Acquisition Costs</i>		<u>229</u>	<u>331</u>
<i>Total Real Estate for Resale</i>		<u>229</u>	<u>331</u>
 <i>Apportionment of Real Estate Developments</i>			
<i>Non-Current Assets</i>		<u>229</u>	<u>331</u>
		229	331

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (IPP&E)

	Fair Value Level	2020 \$'000				2021 \$'000			
		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land - Other		1,140	-	-	1,140	1,140	-	-	1,140
Structures		615	109	(332)	392	848	109	(385)	572
Stormwater Drainage		612	452	(111)	953	612	452	(130)	934
CWMS		3,963	-	(1,326)	2,637	4,832	-	(1,671)	3,161
Roads		46,371	870	(17,334)	29,907	46,013	1,277	(17,954)	29,335
Footpaths, Kerb & Gutter		1,746	-	(621)	1,125	1,746	140	(650)	1,236
Plant & Equipment		-	2,737	(1,749)	988	-	2,883	(1,517)	1,364
Furniture & Fittings		-	55	(21)	34	55	-	(29)	26
Buildings		7,335	298	(3,546)	4,087	9,202	612	(4,448)	5,365
Other Assets		-	982	(202)	780	-	1,663	(249)	1,414
Total IPP&E		61,782	5,503	(25,242)	42,043	64,448	7,137	(27,032)	44,553
	Comparatives	79,945	8,555	(39,509)	48,991	61,782	5,503	(25,242)	42,043

This Note continues on the following pages.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2020 \$'000										2021 \$'000
	Carrying Amount	Net Adjust AASB 16	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount
			New / Upgrade	Renewals				In	Out		
Land - Other	1,140		-	-	-	-	-	-	-	-	1,140
Structures	392		-	-	-	(33)	-	-	-	215	572
Stormwater Drainage	953		-	-	-	(19)	-	-	-	-	934
CWMS	2,637		-	-	-	(61)	-	-	-	587	3,161
Roads	29,907		-	406	-	(978)	-	-	-	-	29,335
Footpaths, Kerb & Gutter	1,125		-	140	-	(29)	-	-	-	-	1,236
Plant & Equipment	988		-	749	(125)	(247)	-	-	-	-	1,364
Furniture & Fittings	34		-	-	-	(8)	-	-	-	-	26
Buildings	4,087		403	210	-	(171)	-	-	-	838	5,365
Other Assets	780		25	656	-	(47)	-	-	-	-	1,414
Total IPP&E	42,043	-	427	2,162	(125)	(1,592)	-	-	-	1,640	44,550
Comparatives	48,991		69	1,026	(108)	(1,608)	-	-	-	(6,327)	42,043

This note continues on the following pages.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 7 (con't) – 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. Accordingly, formal sensitivity analysis does not provide useful information.

District Council of Karoonda East Murray
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

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	\$2,000
Other Plant & Equipment	\$2,000
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 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
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	80 to 100 years
Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps & Telemetry	15 to 25 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite
Right-of-use assets (refer Note 17)	2 to 3 years

District Council of Karoonda East Murray
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Land

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.

Land holdings were revalued on the 1 July 2018 to reflect the site value as determined by the Valuer General.

Buildings & Other Structures

A comprehensive revaluation of Council's buildings and other structures was undertaken by AssetVal. These were revalued as at 30 June 2021. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater

Stormwater infrastructure was valued by Council staff as at 30 June 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Roads

A comprehensive revaluation of Council's sealed and unsealed road networks was undertaken by Council staff with assistance from Tonkin's Consulting in relation to assessing road condition and remaining useful lives. The valuation was as at 1 July 2019.

Community Wastewater Management System (CWMS)

A comprehensive revaluation of Council's CWMS was undertaken by AssetVal. The valuation was as at 30 June 2021. All acquisitions made after the respective dates of valuation are recorded at cost.

Footpath, Kerb & Gutter

Footpath, Kerb & Gutter infrastructure were valued at depreciated current replacement cost during the reporting period ended 30 June 2016 by Mr Rick Gaylor of Gaylor Professional Services. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Other assets

These assets are recognised on the cost basis.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 8 - LIABILITIES

		2021 \$'000		2020 \$'000	
TRADE & OTHER PAYABLES	Notes	Current	Non-current	Current	Non-current
Goods & Services		108	-	23	-
Payments received in advance*		1,261	-	2,872	-
Accrued expenses - other		15	-	-	-
Aged Care Facility Deposits		75	-	75	-
Other levels of Government		34	-	-	-
GST Payable		1	-	30	-
		1,494	-	3,000	-

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

75

75

** Payments received in advance represent grant revenue receipted in June 2021 (or comparatives in June 2020) but not expended until the following year. Readers are referred to Note 2 as well as adjustments made to the Statement of Comprehensive Income for further information*

PROVISIONS

Employee entitlements (including oncosts)	194	10	150	15
	194	10	150	15

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

Movements in Provisions - 2021 year only
(current & non-current)

	<i>Insurance Losses</i>	<i>Future Reinstate- ment</i>	<i>Other Provision</i>
Opening Balance	-	-	165
Additional amounts recognised	-	-	39
Closing Balance	-	-	204

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2020	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2021
Notes	\$'000	\$'000	\$'000	\$'000
Land - Other	611			611
Structures	375	215		590
Stormwater	301			301
CWMS	2,284	587		2,871
Roads	19,190			19,190
Footpath Kerb & Gutter	1,123			1,123
Plant & Equipment	726			726
Furniture & Fittings	30			30
Buildings	3,354	838		4,192
Other Assets	339			339
TOTAL	28,333	1,640	-	29,973
Comparatives	34,660	(6,327)	-	28,333

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).

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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	2021 \$'000	2020 \$'000
Total cash & equivalent assets	5	<u>2,632</u>	<u>3,703</u>
Balances per Cash Flow Statement		<u>2,632</u>	<u>3,703</u>

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

Net Surplus (Deficit)	1,644	(639)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,594	1,608
Net increase (decrease) in unpaid employee benefits	39	(1)
Grants for capital acquisitions treated as Investing Activity	(906)	
Net (Gain) Loss on Disposals	<u>(98)</u>	<u>74</u>
	2,273	1,042
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(57)	269
Net (increase) decrease in inventories	6	3
Net increase (decrease) in trade & other payables	<u>(1,506)</u>	<u>1,218</u>
Net Cash provided by (or used in) operations	<u>716</u>	<u>2,532</u>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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				
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000				
Council Administration	3,764	2,730	1,274	1,148	2,490	1,583	936	972	4,947	4,761
Business & Economic Development	267	188	309	279	(43)	(91)		-	3,219	3,098
Community Support/Amenities	89	63	246	222	(158)	(159)	2,669	873	726	699
Environment	147	103	363	327	(216)	(223)		-		-
Health	2	1	7	6	(5)	(5)		-		-
Public Order & Safety	2	1	11	10	(9)	(9)		-		-
Recreation & Culture	66	47	421	379	(355)	(333)		1	388	373
Regulatory Services	48	34	87	78	(39)	(45)		-		-
Transport	1,788	1,260	2,527	2,277	(739)	(1,016)	1,189	674	37,025	35,629
Plant Depot & Other Purposes	48	34	333	300	(286)	(267)		-	1,888	1,817
TOTALS	6,219	4,461	5,579	5,026	640	(565)	4,794	2,520	48,193	46,377

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 11 (con't) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Business Undertakings

Caravan Park, Development of Land for Resale, Private Works & Sewerage/CWMS.

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Nursing Homes, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centres, Children and Youth Services, community Assistance, Community Transport, Family and Neighbourhood Support, Other Community Support, Community Amenities, Bus Shelters, Cemeteries / Crematoria, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

Culture

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

Economic Development

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

Environment

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

Recreation

Maintenance of various Parks and Gardens, Ovals and Playgrounds and Street Scaping. Contribution and Support to School Community Library, 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, Health Inspection, Parking Control, and Other Regulatory Services.

Transport

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Cleaning of the Streets.

Plant Hire & Depot & Other Purposes

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

Council Administration

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

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 12 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned</p> <p>Terms & conditions: Deposits are returning fixed interest rates between a% and b% (2020: c% and d%). Short term deposits have an average maturity of e days and an average interest rates of f% (2020: g days, h%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of j% (2020: k%) 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>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: 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>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>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.</p> <p>Carrying amount: approximates fair value.</p>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements

Note 12 - FINANCIAL INSTRUMENTS (con't)

Receivables - Retirement Home	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>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.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Retirement Home Contributions	<p>Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p>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.</p> <p>Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: initially recognised at fair value and subsequently at amortised cost, interest is charged as an expense using the effective interest rate</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between l% and m% (2019: n% and p%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: accounted for in accordance with AASB 16 as stated in note 17</p>

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 12 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2021	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Financial Assets</u>					
Cash & Equivalents	2,632			2,632	2,632
Receivables	345			345	345
Total	2,977	-	-	2,977	2,977
<u>Financial Liabilities</u>					
Payables	1,371			1,371	1,479
Total	1,371	-	-	1,371	1,479

2020	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Financial Assets</u>					
Cash & Equivalents	3,703			3,703	3,703
Receivables	285	-	-	285	285
Total	3,988	-	-	3,988	3,988
<u>Financial Liabilities</u>					
Payables	3,000	-	-	3,000	3,000
Total	3,000	-	-	3,000	3,000

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 impairment. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

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

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

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 13 - COMMITMENTS FOR EXPENDITURE

	2021	2020
Notes	\$'000	\$'000
Other Expenditure Commitments		
Other non-capital expenditure commitments in relation to investment properties:		
Audit Services	452	4
Employee Remuneration Contracts	93	474

Note 14 - FINANCIAL INDICATORS

	2021	2020	2019
Operating Surplus Ratio			
<u>Operating Surplus</u>	10.3%	-12.7%	8.9%
Total Operating Income			

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

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	-21%	-19%	-19%
Total Operating Income			

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

Asset Renewal Funding Ratio

<u>Net Outlays on Existing Assets</u>	134%	69%	130%
Net Asset Renewals - IAMP			

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 2021

Note 15 - 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

	2021		2020
	\$'000		\$'000
Income	6,219		4,461
Expenses	(5,579)		(5,026)
Operating Surplus / (Deficit)	640		(565)
Net Outlays on Existing Assets			
Capital Expenditure on renewal and replacement of Existing Assets	(2,590)		(985)
Add back Depreciation, Amortisation and Impairment	1,594		1,608
Proceeds from Sale of Replaced Assets	247		35
	(749)		658
Net Outlays on New and Upgraded Assets			
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(427)		(69)
Amounts received specifically for New and Upgraded Assets	906		-
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	78		15
	557		(54)
Net Lending / (Borrowing) for Financial Year	448		39

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 16 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019-20; 9.50% in 2020-21). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2018-19) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 17 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported elsewhere in these Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in 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.

At reporting date, Council controlled 1,299km of road reserves of average width 8 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council does not hold any bank guarantees.

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

District Council of Karoonda East Murray
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 18 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 11 persons were paid the following total compensation:

	2021	2020
	\$	\$
Salaries, allowances & other short term benefits	457	505
Post-employment benefits		
Long term benefits		
Termination benefits		
TOTAL	457	505

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

No amounts were received by or from Council's Key Management Personnel during the 2020-21 Financial Year in any of Council's operating activities.

District Council of Karoonda East Murray
Annual Financial Statements
for the year ended 30 June 2021

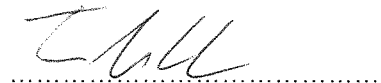
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Coalface SA Council for the year ended 30 June 2021, the Council's Auditor, Steven Russo from PKF Adelaide, 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*.



.....
Martin Borgas
CHIEF EXECUTIVE OFFICER



.....
Tim Muhlhausler
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 9/11/2021

Auditor's Independence Declaration

To Chief Executive Officer of
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 2021, 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
Partner
Level 9, 81 Flinders Street
ADELAIDE SA 5000

Dated: 9 November 2021

Independent Auditor's Report

To the members of District Council of Karoonda East Murray

Opinion

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 2021, 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.

In our opinion, the accompanying financial report of District Council of Karoonda East Murray is in accordance with the *Local Government (Financial Management) Regulations 2011*, including:

- (a) giving a true and fair view of the Council's financial position as at 30 June 2021 and of its financial performance for the year ended; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the District Council of Karoonda East Murray in accordance with the *Local Government (Financial Management) Regulations 2011*, and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

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Independent Auditor's Report (Cont.)

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.

We communicated 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 we identified during our audit.

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
Partner
Level 9, 81 Flinders Street
ADELAIDE SA 5000

9th of November 2021