



**DISTRICT COUNCIL
OF
FRANKLIN HARBOUR**

FINANCIAL STATEMENTS

**For The Year Ending
30 JUNE 2018**

DISTRICT COUNCIL OF FRANKLIN HARBOUR

General Purpose Financial Reports for the year ended 30 June 2018

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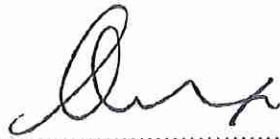
DISTRICT COUNCIL OF FRANKLIN HARBOUR

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

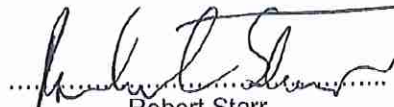
CERTIFICATION OF FINANCIAL STATEMENTS

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

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



.....
Chris Smith
CHIEF EXECUTIVE OFFICER



.....
Robert Starr
MAYOR

Date: 8th November 2018

DISTRICT COUNCIL OF FRANKLIN HARBOUR

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
INCOME			
Rates	2	1,752,540	1,438,453
Statutory charges	2	25,109	30,755
User charges	2	555,578	455,763
Grants, subsidies and contributions	2	1,797,830	2,515,336
Investment income	2	15,341	21,488
Reimbursements	2	72,812	99,759
Other income	2	79,643	57,854
Total Income		<u>4,298,853</u>	<u>4,619,408</u>
EXPENSES			
Employee costs	3	959,615	965,228
Materials, contracts & other expenses	3	1,317,977	1,580,696
Depreciation, amortisation & impairment	3	904,542	899,441
Finance costs	3	182,341	141,924
Total Expenses		<u>3,364,475</u>	<u>3,587,289</u>
OPERATING SURPLUS / (DEFICIT)		934,378	1,032,119
Asset disposal & fair value adjustments	4	1,137	(15,851)
Amounts received specifically for new or upgraded assets	2	1,255,372	1,022,270
Physical resources received free of charge	2	-	1,199,641
NET SURPLUS / (DEFICIT)		<u>2,190,887</u>	<u>3,238,179</u>
transferred to Equity Statement			3,238,179
TOTAL COMPREHENSIVE INCOME		<u>2,190,887</u>	<u>3,238,179</u>

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

ASSETS	Notes	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	5	1,642,652	1,586,001
Trade & other receivables	5	335,837	330,295
Inventories	5	483,687	513,115
Total Current Assets		<u>2,462,176</u>	<u>2,429,411</u>
Non-current Assets			
Infrastructure, property, plant & equipment	6	35,241,482	33,572,853
Total Non-current Assets		<u>35,241,482</u>	<u>33,572,853</u>
Total Assets		<u>37,703,658</u>	<u>36,002,264</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	7	250,106	237,139
Borrowings	7	189,952	4,302,040
Provisions	7	585,313	547,029
Total Current Liabilities		<u>1,025,371</u>	<u>5,086,208</u>
Non-current Liabilities			
Borrowings	7	4,123,645	553,739
Provisions	7	2,520,211	2,518,773
Total Non-current Liabilities		<u>6,643,856</u>	<u>3,072,512</u>
Total Liabilities		<u>7,669,227</u>	<u>8,158,720</u>
NET ASSETS		<u>30,034,431</u>	<u>27,843,544</u>
EQUITY			
Accumulated Surplus		19,106,365	16,915,478
Asset Revaluation Reserves	8	10,928,066	10,928,066
TOTAL EQUITY		<u>30,034,431</u>	<u>27,843,544</u>

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Available for sale Financial Assets \$	Other Reserves \$	TOTAL EQUITY \$
2018						
Balance at end of previous reporting period		16,915,478	10,928,066	-	-	27,843,544
Net Surplus / (Deficit) for Year		<u>2,190,887</u>				<u>2,190,887</u>
Balance at end of period		<u>19,106,365</u>	<u>10,928,066</u>	-	-	<u>30,034,431</u>
2017						
Balance at end of previous reporting period		13,677,299	10,920,068		-	24,605,365
Net Surplus / (Deficit) for Year		<u>3,238,179</u>				<u>3,238,179</u>
Balance at end of period		<u>16,915,478</u>	<u>10,928,066</u>	-	-	<u>27,843,544</u>

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

STATEMENT OF CASH FLOWS for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		1,717,176	1,386,941
Fees & other charges		27,104	30,755
User charges		618,250	402,659
Investment receipts		10,906	24,762
Grants utilised for operating purposes		1,932,667	2,766,870
Reimbursements		80,093	109,735
Other revenues		332,928	358,636
<u>Payments</u>			
Employee costs		(913,761)	(957,665)
Materials, contracts & other expenses		(1,831,266)	178,968
Finance payments		(124,602)	(306,883)
Net Cash provided by (or used in) Operating Activities		1,849,495	3,994,778
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		1,255,372	1,022,270
Sale of replaced assets		82,682	28,220
Sale of real estate developments		66,051	78,000
Repayments of loans by community groups		-	108,619
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,755,008)	(4,208,668)
Expenditure on new/upgraded assets		(899,759)	(2,623,849)
Net Cash provided by (or used in) Investing Activities		(1,250,662)	(5,595,408)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		-	2,200,000
<u>Payments</u>			
Repayments of borrowings		(542,182)	(97,369)
Net Cash provided by (or used in) Financing Activities		(542,182)	2,102,631
Net Increase (Decrease) in cash held		56,651	502,001
Cash & cash equivalents at beginning of period	9	<u>1,586,001</u>	<u>1,084,000</u>
Cash & cash equivalents at end of period	9	<u>1,642,652</u>	<u>1,586,001</u>

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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 dollar (\$).

2 The Local Government Reporting Entity

The District Council of Franklin Harbour is incorporated under the SA Local Government Act 1999 and has its principal place of business at 6 Main Street, Cowell SA 5602. 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.

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

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

	Cash Payment Received	Annual Allocation		Difference
2015/16	\$616,042	\$1,273,881	+ / -	\$657,839
2016/17	\$1,883,029	\$1,243,146	+ / -	\$639,883
2017/18	\$1,352,830	\$1,232,838	+ / -	\$119,992

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

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.

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

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

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

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 carried at fair value 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 assessed for impairment.

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 outflows or value in use).

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

6.7 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 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 1 - Significant Accounting Policies (cont)

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

Weighted average discount rate	1.5% (2017, 1.5%)
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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.

9.2 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 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 2018 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 16	Leases
AASB 1058	Income of Not-for-Profit Entities

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 other than AASB 16 and AASB 1058, 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.

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.

Accounting Standard AASB 1058 *Income of Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in relation to the timing of revenues from grants & subsidies, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 2 - INCOME

	Notes	2018 \$	2017 \$
RATES REVENUES			
<u>General Rates</u>		1,172,766	1,143,017
Less: Discretionary rebates, remissions & write offs		<u>(15,952)</u>	<u>(16,472)</u>
		1,156,814	1,126,545
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		79,722	74,354
Community wastewater management systems		<u>506,944</u>	<u>230,911</u>
		586,666	305,265
<u>Other Charges</u>			
Penalties for late payment		<u>9,060</u>	<u>6,643</u>
		<u>1,752,540</u>	<u>1,438,453</u>
 STATUTORY CHARGES			
Development Act fees		3,882	7,658
Town planning fees		8,984	11,738
Health & Septic Tank Inspection fees		3,308	-
Animal registration fees & fines		7,790	7,367
Parking fines / expiation fees		<u>1,145</u>	<u>3,992</u>
		<u>25,109</u>	<u>30,755</u>
 USER CHARGES			
Cemetery fees		6,818	5,931
Complex Water Usage		40,034	4,940
Hall & equipment hire		7,345	5,414
Camping fees		9,547	1,193
Shack Area Fees		119,189	126,427
Rubbish Disposal Fees		213,118	180,479
Boat Ramp Fees		21,647	26,702
Cowell Cottages		<u>137,880</u>	<u>104,677</u>
		<u>555,578</u>	<u>455,763</u>
 INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		15,324	21,317
Banks & other		<u>17</u>	<u>171</u>
		<u>15,341</u>	<u>21,488</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 2 - INCOME (continued)

	Notes	2018 \$	2017 \$
REIMBURSEMENTS			
- for roadworks		40,000	-
- for private works		32,812	54,759
- other		-	45,000
		<u>72,812</u>	<u>99,759</u>
OTHER INCOME			
Rebates received		19,494	20,392
Sundry		60,149	37,462
		<u>79,643</u>	<u>57,854</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		1,255,372	1,022,270
Other grants, subsidies and contributions			
United - Financial Assistance Grant	1,352,830		1,883,029
Roads to Recovery	445,000		632,307
		<u>1,797,830</u>	<u>2,515,336</u>
		<u>3,053,202</u>	<u>3,537,606</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		-	221,270
State government		3,053,202	3,316,336
		<u>3,053,202</u>	<u>3,537,606</u>
Individually Significant Item			
<i>Grant from the Federal Government for the Contribution to Common User Group Export Facility</i>		0	221,270

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 2 - INCOME (continued)

	Notes	2018 \$	2017 \$
Conditions over grants & contributions			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
<i>Unexpended at the close of the previous reporting period</i>			
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Roads Infrastructure</i>		_____	_____
<i>Heritage & Cultural Services</i>		_____	_____
<i>Subtotal</i>		_____	_____
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Heritage & Cultural Services</i>		543,000	-
<i>Subtotal</i>		543,000	-
<i>Unexpended at the close of this reporting period</i>		<u>543,000</u>	<u> </u>
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		<u>543,000</u>	<u> </u>
 PHYSICAL RESOURCES RECEIVED FREE OF CHARGE			
Land & Improvements		-	1,199,641
TOTAL PHYSICAL RESOURCES RECEIVED		<u> </u>	<u>1,199,641</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES

	Notes	2018 \$	2017 \$
EMPLOYEE COSTS			
Salaries and Wages		998,462	1,008,865
Employee leave expense		149,057	104,958
Superannuation - defined contribution plan contributions	18	112,362	104,529
Superannuation - defined benefit plan contributions	18	58,587	54,937
Workers' Compensation Insurance		49,224	47,472
Less: Capitalised and distributed costs		<u>(408,077)</u>	<u>(355,533)</u>
Total Operating Employee Costs		<u>959,615</u>	<u>965,228</u>
 Total Number of Employees		 16	 15
<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		20,640	18,350
Bad and Doubtful Debts		40,000	-
Elected members' expenses		62,998	66,607
Election expenses		6,857	370
Subtotal - Prescribed Expenses		<u>130,495</u>	<u>85,327</u>
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		598,216	695,656
Energy		204,812	171,300
Individually Significant Items		-	233,085
Legal Expenses		18,312	10,822
Levies paid to government - NRM levy		79,912	76,986
Parts, accessories & consumables		117,550	106,222
Professional services		63,262	48,853
Sundry		105,418	152,445
Subtotal - Other Materials, Contracts & Expenses		<u>1,187,482</u>	<u>1,495,369</u>
		<u>1,317,977</u>	<u>1,580,696</u>
 INDIVIDUALLY SIGNIFICANT ITEMS			
Contribution to Common User Group Export Facility funded by the Federal Govt		<u>-</u>	<u>233,085</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES (cont)

	Notes	2018 \$	2017 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		219,652	273,238
Other Community Assets		22,934	21,204
Infrastructure		328,891	295,079
- CWMS		109,598	89,689
Plant, Machinery & Equipment		213,758	208,967
Office Equipment, Furniture etc		9,709	11,264
		<u>904,542</u>	<u>899,441</u>
FINANCE COSTS			
Interest on Loans		173,989	141,924
Premiums & discounts recognised		8,352	-
		<u>182,341</u>	<u>141,924</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	2018	2017
Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	82,682	28,220
Less: Carrying amount of assets sold	81,596	33,616
Gain (Loss) on disposal	1,086	(5,396)
 <i>Assets surplus to requirements</i>		
Proceeds from disposal	-	(455)
Gain (Loss) on disposal	-	(455)
 REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal	66,051	78,000
Less: Carrying amount of assets sold	66,000	88,000
Gain (Loss) on disposal	51	(10,000)
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		
	1,137	(15,851)

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 5 - CURRENT ASSETS

		2018	2017
CASH & EQUIVALENT ASSETS	Notes	\$	\$
Cash on Hand and at Bank		185,377	355,113
Deposits at Call		1,435,067	1,209,011
Short Term Deposits & Bills, etc		<u>22,208</u>	<u>21,877</u>
		<u>1,642,652</u>	<u>1,586,001</u>
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		245,545	210,181
Accrued Revenues		8,332	3,897
Debtors - general		49,206	58,515
Prepayments		72,754	57,702
Total		375,837	330,295
 Less: Allowance for Doubtful Debts		<u>40,000</u>	<u>-</u>
		<u>335,837</u>	<u>330,295</u>
 INVENTORIES			
Stores & Materials		108,687	72,115
Real Estate Developments	6	<u>375,000</u>	<u>441,000</u>
		<u>483,687</u>	<u>513,115</u>

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2017 \$				2018 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	3,957,400	350,000	-	4,307,400	3,957,400	350,000	-	4,307,400
Land	3	-	-	-	-	-	-	-	-
Buildings & Other Structures	2	17,691,526	-	(11,656,835)	6,034,691	17,691,526	262,996	(11,876,487)	6,078,035
Other Community Assets	3	1,687,216	-	(991,057)	696,159	1,687,216	130,008	(1,013,991)	803,233
Infrastructure		21,341,692	-	(11,060,098)	10,281,594	21,341,692	1,355,560	(11,388,989)	11,308,263
- CWMS	3	10,164,015	-	(217,423)	9,946,592	10,164,015	769,751	(327,021)	10,606,745
Plant, Machinery & Equipment		-	3,745,108	(1,744,075)	2,001,033	-	3,708,034	(1,874,255)	1,833,779
Office Equipment, Furniture etc		-	401,702	(334,952)	66,750	-	401,702	(344,661)	57,041
Reinstatement costs		-	238,634	-	238,634	-	246,986	-	246,986
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		54,841,849	4,735,444	(26,004,440)	33,572,853	54,841,849	7,225,037	(26,825,404)	35,241,482
Comparatives		37,556,064	11,856,343	(22,938,200)	26,474,207	54,841,849	4,735,444	(26,004,440)	33,572,853

This Note continues on the following pages.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2018 \$ CARRYING AMOUNT
	2017 \$ CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation		
		New/Upgrade	Renewals				In	Out			
Land	4,307,400	-	-	-	-	-	-	-	-	-	4,307,400
Buildings & Other Structures	6,034,691	-	262,995	-	(219,652)	-	-	-	-	-	6,078,035
Other Community Assets	696,159	130,008	-	-	(22,934)	-	-	-	-	-	803,233
Infrastructure	10,281,594	-	1,355,560	-	(328,891)	-	-	-	-	-	11,308,263
- CWMS	9,946,592	769,751	-	-	(109,598)	-	-	-	-	-	10,606,745
Plant, Machinery & Equipment	2,001,033	-	128,100	-	(213,758)	(81,596)	-	-	-	-	1,833,779
Office Equipment, Furniture etc	66,750	-	-	-	-	-	-	-	-	-	66,750
Reinstatement costs	238,634	-	-	-	(9,709)	-	8,352	-	-	-	246,986
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	33,572,853	899,759	1,746,656	(81,596)	(904,542)	-	8,352	-	-	-	35,241,482
	26,474,207	6,242,483	1,439,220	(33,616)	(899,441)	-	350,000	-	-	-	33,572,853

Comparatives
This Note continues on the following pages.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 (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

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 – Property, Plant & Equipment (cont)

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

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 and Land Improvements were revalued as at 1st July 2014 by Liquid Pacific.

Buildings & Other Structures

Buildings and other structures were revalued as at 1st July 2014 by Liquid Pacific.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2014, based on actual costs incurred during the reporting periods ended 30 June 2013 and 2014. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was 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 was valued at depreciated current replacement cost during the reporting period ended 30 June 2014 by Liquid Pacific. All acquisitions made after the respective dates of valuation are recorded at cost.

Other Community Assets were revalued as at 1 July 2014 by Liquid Pacific

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 6 – Property, Plant & Equipment (cont)

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 7 - LIABILITIES

	Notes	2018		2017	
		Current	Non-current	Current	Non-current
		\$	\$	\$	\$
TRADE & OTHER PAYABLES					
Goods & Services		148,067		182,776	
Payments received in advance		7,443	-	9,638	-
Accrued expenses - employee entitlements		7,530	-	7,046	-
Accrued expenses - other		87,066	-	37,679	-
		<u>250,106</u>	<u>-</u>	<u>237,139</u>	<u>-</u>
BORROWINGS					
Loans		189,952	4,123,645	4,302,040	553,739
		<u>189,952</u>	<u>4,123,645</u>	<u>4,302,040</u>	<u>553,739</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		277,313	24,475	239,029	17,389
Future reinstatement / restoration, etc		-	246,986	-	238,634
Other (Cowell Cottages Lease Liability)		308,000	2,248,750	308,000	2,262,750
		<u>585,313</u>	<u>2,520,211</u>	<u>547,029</u>	<u>2,518,773</u>
Movements in Provisions - 2018 year only					
<i>(current & non-current)</i>					
Opening Balance			<i>Insurance</i>	<i>Future</i>	<i>Other</i>
			<i>Losses</i>	<i>Reinstatement</i>	<i>Provision</i>
Add Unwinding of present value discounts				238,634	2,570,750
Closing Balance				<u>8,352</u>	<u>246,986</u>
				<u>246,986</u>	<u>2,570,750</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 8 - RESERVES

ASSET REVALUATION RESERVE	1/7/2017	Net Increments (Decrements)	Transfers, Impairments	30/6/2018
Notes	\$	\$	\$	\$
Land	4,686,797			4,686,797
Buildings & Other Structures	3,039,424			3,039,424
Infrastructure	3,201,845			3,201,845
TOTAL	10,928,066			10,928,066
<i>Comparatives</i>	<i>10,928,066</i>			<i>10,928,066</i>

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 FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 9 - 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	2018 \$		2017 \$
Total cash & equivalent assets	5	1,642,652		1,586,001
Balances per Cash Flow Statement		1,642,652		1,586,001

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

Net Surplus (Deficit)		2,190,887		3,238,179
Non-cash items in Income Statement				
Depreciation, amortisation & impairment		904,542		899,441
Net increase (decrease) in unpaid employee benefits		45,854		7,563
Premiums & discounts recognised & unwound		8,352		
Change in allowances for under-recovery		40,000		(14,282)
Non-cash asset acquisitions		-		(1,199,641)
Grants for capital acquisitions treated as Investing Activity		(1,255,372)		(1,022,270)
Net (Gain) Loss on Disposals		(1,137)		15,851
		1,933,126		1,924,841
Add (Less): Changes in Net Current Assets				
Net (Increase) decrease in receivables		(45,542)		(53,709)
Net (Increase) decrease in inventories		(36,572)		(56,829)
Net increase (decrease) in trade & other payables		12,483		(628,909)
Net increase (decrease) in other provisions		(14,000)		2,809,384
Net Cash provided by (or used in) operations		1,849,495		3,994,778

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:				
- Physical resources received free of charge	3	-		1,199,641
<i>Amounts recognised in Income Statement</i>		-		1,199,641
- Estimated future reinstatement etc. costs		-		238,634
		-		1,438,275

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:				
Corporate Credit Cards		9,000		9,000

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 10 - 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 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017	ACTUAL 2018	ACTUAL 2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Council Administration	2,324,321	2,771,802	480,188	995,680	1,844,133	1,776,122	1,026,720	1,548,350	2,127,177	1,988,411	
Public Order & Safety	9,067	11,478	38,280	48,894	(29,213)	(37,416)					
Health	137,880	132,177	201,097	239,033	(63,217)	(106,856)					
Housing/Community Amenities	898,395	622,020	797,373	642,673	101,022	(20,653)	530,000	700,000	246,986	238,634	
Protection of the Environment	21,647	26,702	78,522	158,680	(56,875)	(131,978)	552,000	101,000			
Recreation & Culture	10,374	23,045	472,576	368,112	(462,202)	(345,067)	173,372				
Mining & Manufacturing	3,882	7,658	13,939	235,156	(10,057)	(227,498)		221,270			
Transport & Communication	713,317	966,986	990,354	742,171	(277,037)	224,815	771,110	966,986	35,329,495	33,775,219	
Economic Affairs	9,547	1,197	62,799	25,768	(53,252)	(24,571)					
Other Purposes	170,423	56,343	229,347	131,122	(58,924)	(74,779)					
TOTALS	4,298,853	4,619,408	3,364,475	3,587,289	934,378	1,032,119	3,053,202	3,537,606	37,703,658	36,002,264	

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 10 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

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 Separate and Special Rates.

Public Order and Safety

Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Parking Control, and Other Regulatory Services.

Health

Health Inspection, Food Control, Immunisation services and other Health Services.

Housing and Community Amenities

Maintenance of housing rented to tenants, refuse collection services, operation of refuse and recycling depot, administration of town planning, stormwater drainage, public conveniences, cemetery, street lighting, street cleaning and other community development amenities.

Protection of the Environment

Coastal protection, foreshores, boatramp facilities and other environment.

Recreation and Culture

Maintenance of halls, various parks and gardens, reserves, ovals and other sporting facilities, playgrounds, contribution to community library and administration of arts and cultural services.

Mining and Manufacturing

Administration of Building Act and the Development Act.

Transport and Communication

Construction and maintenance of roads, drainage works, footpaths, parking facilities and signs. Management of aerodrome.

Economic Affairs

Pest control services, tourism, agriculture

DISTRICT COUNCIL OF FRANKLIN HARBOUR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 11 - 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: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 1.5% and 3% (2017: 1.5% and 3%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 8% (2017: 8%) 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: 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>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>
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 - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 3.4% and 6% (2017: 3.4% and 6%)</p> <p>Carrying amount: approximates fair value.</p>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 11 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2018	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	1,642,652			1,642,652	1,642,652
Receivables	130,292			130,292	130,292
Total	1,772,944	-	-	1,772,944	1,772,944
Financial Liabilities					
Payables	155,510			155,510	155,510
Current Borrowings	355,108			355,108	189,952
Non-Current Borrowings		803,342	3,689,143	4,492,485	4,123,645
Total	510,618	803,342	3,689,143	5,003,103	4,469,107
2017	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
Financial Assets					
Cash & Equivalents	1,586,001			1,586,001	1,586,001
Receivables	120,114			120,114	120,114
Total	1,706,115	-	-	1,706,115	1,706,115
Financial Liabilities					
Payables	192,414			192,414	192,414
Current Borrowings	4,302,040			4,302,040	4,302,040
Non-Current Borrowings		286,939	266,801	553,740	553,739
Total	4,494,454	286,939	266,801	5,048,194	5,048,193

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

	30 June 2018		30 June 2017	
	Weighted Average Interest Rate %	Carrying Value \$	Weighted Average Interest Rate %	Carrying Value \$
Fixed Interest Rates	3.72	<u>4,313,597.00</u>	3.83	<u>4,855,779</u>
		<u>4,313,597.00</u>		<u>4,855,779</u>

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.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 12 - FINANCIAL INDICATORS

2018 2017 2016

These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. 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>	21.7%	22.3%	(37.3%)
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>	132%	135%	80%
Total Operating Income			

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

Adjustments to Ratios

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

<u>Adjusted Operating Surplus Ratio</u>	21.5%	9.9%	(12.8%)
<u>Adjusted Net Financial Liabilities Ratio</u>	118%	141%	65%

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	82%	129%	118%
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.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 13 - 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

	2018 \$	2017 \$
Income	4,298,853	4,619,408
Expenses	<u>(3,364,475)</u>	<u>(3,587,289)</u>
Operating Surplus / (Deficit)	934,378	1,032,119
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(1,799,008)	(4,208,668)
Add back Depreciation, Amortisation and Impairment	904,542	899,441
Proceeds from Sale of Replaced Assets	<u>82,682</u>	<u>28,220</u>
	(811,784)	(3,281,007)
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(855,759)	(2,623,849)
Amounts received specifically for New and Upgraded Assets	1,255,372	1,022,270
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>66,051</u>	<u>78,000</u>
	<u>465,664</u>	<u>(1,523,579)</u>
 Net Lending / (Borrowing) for Financial Year	 <u>588,258</u>	 <u>(3,772,467)</u>

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 14 – 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 2017/18; 9.50% in 2016/17). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

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

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

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

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

Contributions to Other Superannuation Schemes

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

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 15 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Balance Sheet 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 737 km of road reserves of average width 20 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. 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 notice of zero (0) appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

DISTRICT COUNCIL OF FRANKLIN HARBOUR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 16 - 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, 12 persons were paid the following total compensation:

	2018 \$	2017 \$
Salaries, allowances & other short term benefits	488,281	428,365
Post-employment benefits	-	-
Long term benefits	-	-
Termination benefits	-	-
TOTAL	488,281	428,365

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

	2018 \$	2017 \$
Contributions for fringe benefits tax purposes	-	-
Planning and building applications fees	198	194
Rentals for Council property	-	4,940
TOTAL	198	5,134

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

One Councillor owns a retail businesses from which various supplies were purchased as required either for cash or on 30 day account. Purchases from none of these individual businesses exceeded \$1,500 during the year.

INDEPENDENT AUDITOR'S REPORT

To the members of the District Council of Franklin Harbour

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a general purpose financial report, of the District Council of Franklin Harbour (the Council), which comprises the Certification of Financial Statements on the annual statements giving a true and fair view of the financial position and performance, the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended 30 June 2018 and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial report of the Council is in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011*, including;

- (i) giving a true and fair view of the Council's financial position as at 30 June 2018 and of its performance and cash flows for the year then ended; and
- (ii) that the financial records kept by the Council are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of 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.

Responsibilities of the Chief Executive Officer for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. This responsibility includes determining that the basis of preparation described in Note 1 is appropriate to meet the need of the members. The Chief Executive Officer's responsibility also includes designing, implementing and maintaining internal controls relevant to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern

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basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

The Chief Executive Officer of the Council is responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report


Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the 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 financial report.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



SAMANTHA CRETEN
PARTNER

Signed on the 15th day of November 2018,
at 214 Melbourne Street, North Adelaide

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE DISTRICT COUNCIL OF FRANKLIN HARBOUR

We have audited the Internal Controls of the District Council of Franklin Harbour (Council) under the requirements of *Section 129(1)(b) 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 2017 to 30 June 2018 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* 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) 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 have been conducted properly and in accordance with law. 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 2017 to 30 June 2018. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design 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(1)(b) 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.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on internal controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

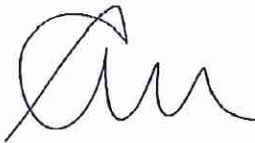
Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Council relating 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 2017 to 30 June 2018.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



SAMANTHA CRETEN
PARTNER

Signed on the 15th day of November 2018
at 214 Melbourne Street, North Adelaide, South Australia, 5006

DISTRICT COUNCIL OF FRANKLIN HARBOUR

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018**

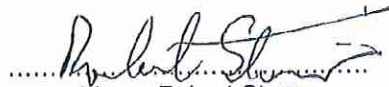
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the District Council of Franklin Harbour for the year ended 30 June 2018, the Council's Auditor, Dean Newbery & Partners, 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*.



.....
Chris Smith
CHIEF EXECUTIVE OFFICER



.....
Mayor Robert Starr
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 8th November 2018

Page

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the District Council of Franklin Harbour for the year ended 30 June 2018, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



SAMANTHA CRETEN

Partner

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

Dated this 15th day of November 2018