



DISTRICT COUNCIL

OF

FRANKLIN HARBOUR

FINANCIAL STATEMENTS

For The Year Ending
30 JUNE 2021

Adopted: 10 November 2021
Resolution: 112/11/21

District Council of Franklin Harbour
General Purpose Financial Reports
for the year ended 30 June 2021

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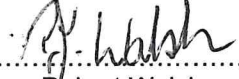
District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2021

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.


.....
Shane Gill
CHIEF EXECUTIVE OFFICER


.....
Robert Walsh
MAYOR/COUNCILLOR

Date: 22/10/2021

District Council of Franklin Harbour
Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
INCOME			
Rates	2	1,754,303	1,684,461
Statutory charges	2	33,056	22,441
User charges	2	580,215	683,659
Grants, subsidies and contributions	2	1,844,641	1,791,115
Investment income	2	14,850	24,676
Reimbursements	2	20,227	5,501
Other income	2	310,489	164,671
Total Income		4,557,780	4,376,524
EXPENSES			
Employee costs	3	1,293,879	1,029,759
Materials, contracts & other expenses	3	1,456,838	1,538,263
Depreciation, amortisation & impairment	3	1,250,353	988,503
Finance costs	3	185,373	203,294
Total Expenses		4,186,443	3,759,819
OPERATING SURPLUS / (DEFICIT)		371,337	616,705
Asset disposal & fair value adjustments	4	(17,305)	(94,543)
Amounts received specifically for new or upgraded assets	2	3,211,311	2,214,617
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		3,565,343	2,736,779
Other Comprehensive Income			
Impairment (expense) / recoupments offset to asset revaluation reserve	8	(3,221,224)	-
Total Other Comprehensive Income		(3,221,224)	-
TOTAL COMPREHENSIVE INCOME		344,119	2,736,779

District Council of Franklin Harbour
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,807,666	3,083,706
Trade & other receivables	5	303,010	376,171
Inventories	5	46,181	161,682
Total Current Assets		<u>2,156,857</u>	<u>3,621,559</u>
Non-current Assets			
Infrastructure, property, plant & equipment	6	41,284,519	40,100,492
Total Non-current Assets		<u>41,284,519</u>	<u>40,100,492</u>
Total Assets		<u>43,441,376</u>	<u>43,722,051</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	7	997,968	1,108,005
Borrowings	7	326,345	313,629
Provisions	7	663,823	603,722
Total Current Liabilities		<u>1,988,136</u>	<u>2,025,356</u>
Non-current Liabilities			
Borrowings	7	5,174,724	5,501,070
Provisions	7	1,975,704	2,236,932
Total Non-current Liabilities		<u>7,150,428</u>	<u>7,738,002</u>
Total Liabilities		<u>9,138,564</u>	<u>9,763,358</u>
NET ASSETS		<u>34,302,812</u>	<u>33,958,693</u>
EQUITY			
Accumulated Surplus		26,594,148	23,028,805
Asset Revaluation Reserves	8	7,673,529	10,894,753
Other Reserves	8	35,135	35,135
TOTAL EQUITY		<u>34,302,812</u>	<u>33,958,693</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 2021

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2021	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		23,028,805	10,894,753	35,135	33,958,693
Net Surplus / (Deficit) for Year		3,565,343			3,565,343
Other Comprehensive Income					
Impairment (expense) / recoupments offset to asset revaluation reserve		-	(3,221,224)	-	(3,221,224)
Balance at end of period	8	26,594,148	7,673,529	35,135	34,302,812

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2020	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		20,327,161	10,894,753	-	31,221,914
Adjustment to give effect to changed accounting policies		(35,135)	-	35,135	-
Restated opening balance		20,292,026	10,894,753	35,135	31,221,914
Net Surplus / (Deficit) for Year		2,736,779	-	-	2,736,779
Balance at end of period	8	23,028,805	10,894,753	35,135	33,958,693

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 2021

	Notes	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		1,779,177	1,751,079
Fees & other charges		34,709	22,441
User charges		654,802	1,154,907
Investment receipts		13,963	26,858
Grants utilised for operating purposes		1,663,867	1,791,115
Reimbursements		21,238	5,501
Other revenues		992,459	123,563
<i>Payments:</i>			
Employee costs		(1,233,987)	(945,213)
Materials, contracts & other expenses		(2,136,230)	(931,371)
Finance payments		(187,823)	(212,419)
Net Cash provided by (or used in) Operating Activities		1,602,174	2,786,461
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		3,211,311	2,214,617
Sale of replaced assets		50,727	57,500
Sale of surplus assets		-	166,629
Sale of real estate developments		144,075	103,040
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(1,496,583)	(2,118,715)
Expenditure on new/upgraded assets		(4,474,114)	(2,917,893)
Net Cash provided by (or used in) Investing Activities		(2,564,584)	(2,494,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Payments:</i>			
Repayments of borrowings		(313,630)	(344,772)
Net Cash provided by (or used in) Financing Activities		(313,630)	(344,772)
Net Increase (Decrease) in cash held		(1,276,040)	(53,133)
Cash & cash equivalents at beginning of period	9	3,083,706	3,136,839
Cash & cash equivalents at end of period	9	1,807,666	3,083,706

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 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 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 consolidated 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.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years, the payment of untied grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual allocation as shown in the table below:

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

	Cash Payment Received	Annual Allocation	Difference	
2016-17	\$1,883,029	\$1,243,146	+	\$657,839
2017-18	\$1,352,830	\$1,232,838	+	\$119,992
2018-19	\$1,321,832	\$1,231,049	+	\$90,783
2019-20	\$1,271,455	\$1,233,364	+	\$38,091
2020-21	\$1,211,571	\$1,236,430	-	\$24,859

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 disclosed in Note 12 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

3.2 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. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4 Cash, Cash Equivalents and Other Financial Instruments

4.1 Cash, Cash Equivalent Assets

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.

4.2 Other Financial Instruments

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 11.

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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

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

6.6 Borrowing Costs

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

Weighted average discount rate	1.39% (2020, 0.92%)
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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.

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 14

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

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

9.3 Cowell Cottages Lease Liability

15 of the Cowell Cottages are occupied under a licence to occupy. In the event the tenants vacate the premises, the licences are repayable by Council. A provision has been included in Note 7 to account for this.

10 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

11 New 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 AASBs - 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 consolidated financial statements of the Group.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME

	Notes	2021 \$	2020 \$
RATES REVENUES			
<u>General Rates</u>		1,355,867	1,294,309
Less: Discretionary rebates, remissions & write offs		(16,212)	(16,019)
		<u>1,339,655</u>	<u>1,278,290</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		90,191	84,521
Community wastewater management systems		318,167	314,617
		<u>408,358</u>	<u>399,138</u>
<u>Other Charges</u>			
Penalties for late payment		6,290	7,033
		<u>6,290</u>	<u>7,033</u>
Less: Discretionary rebates, remissions & write offs			
		<u>1,754,303</u>	<u>1,684,461</u>
STATUTORY CHARGES			
Development Act fees		14,916	5,418
Town planning fees		5,615	9,028
Health & Septic Tank Inspection fees		831	1,390
Animal registration fees & fines		6,871	6,395
Parking fines / expiation fees		-	210
Other licences, fees, & fines		4,823	-
		<u>33,056</u>	<u>22,441</u>
USER CHARGES			
Cemetery/crematoria fees		7,985	3,991
Complex Water Usage		-	50,243
Hall & equipment hire		4,850	7,124
Camping Fees		43,261	23,312
Shack Area Fees		102,208	105,022
Rubbish Disposal Fees		226,019	212,471
Boat Ramp Fees		19,373	14,751
Cowell Cottages		118,293	266,745
Coolanie Water Fees		37,772	-
Standpipe Water Use		13,433	-
Other User Charges		7,021	-
		<u>580,215</u>	<u>683,659</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME (con't)

	Notes	2021 \$	2020 \$
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		8,790	17,759
Banks & other		6,060	6,917
		<u>14,850</u>	<u>24,676</u>
REIMBURSEMENTS			
- for private works		19,946	5,501
- other		281	-
		<u>20,227</u>	<u>5,501</u>
OTHER INCOME			
Rebates received		-	22,767
Sundry		310,489	141,904
		<u>310,489</u>	<u>164,671</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		3,211,311	2,214,617
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		1,211,571	1,788,238
Roads to Recovery		332,192	-
Library & Communications		3,359	2,877
Sundry		297,519	-
		<u>1,844,641</u>	<u>1,791,115</u>
		<u>5,055,952</u>	<u>4,005,732</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		1,287,830	684,591
State government		3,768,122	3,321,141
		<u>5,055,952</u>	<u>4,005,732</u>
Individually Significant Item			
Coolanie Waterline		-	1,214,617
SLRP - Beach Road		700,000	1,000,000
SABFAC Grant - Marina		1,500,000	-

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME (con't)

Conditions over grants & contributions

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>Unexpended at the close of the previous reporting period</i>	-	237,645
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>		
<i>SLGIP</i>	-	(237,645)
<i>Subtotal</i>	-	(237,645)
 <i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>LGCIP (x2)</i>	371,433	-
<i>Subtotal</i>	371,433	-
<i>Unexpended at the close of this reporting period</i>	371,433	-
 <i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>	371,433	(237,645)

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 3 - EXPENSE

	Notes	2021 \$	2020 \$
EMPLOYEE COSTS			
Salaries and Wages		1,329,914	1,392,225
Employee leave expense		117,355	113,526
Superannuation - defined contribution plan contributions	14	125,763	130,288
Superannuation - defined benefit plan contributions	14	-	28,776
Workers' Compensation Insurance		30,447	54,867
Less: Capitalised and distributed costs		<u>(309,600)</u>	<u>(689,923)</u>
Total Operating Employee Costs		<u>1,293,879</u>	<u>1,029,759</u>
Total Number of Employees		17	17
<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		24,560	17,730
Elected members' expenses		65,530	65,574
Election expenses		390	9,788
Subtotal - Prescribed Expenses		<u>90,480</u>	<u>93,092</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors, Materials & Other (NEC)		5,431,406	452,139
Energy		216,134	138,812
Patrol Grading		21,145	217,625
Plant Maintenance		223,716	243,414
Rubbish Disposal		161,201	116,934
Legal Expenses		14,841	24,996
Levies paid to government - NRM levy		89,476	84,483
Parts, accessories & consumables		99,887	108,650
Professional services		43,800	58,118
Other Capital		725,850	-
Less: Capitalised and distributed costs		<u>(5,661,097)</u>	<u>-</u>
Subtotal - Other Materials, Contracts & Expenses		<u>1,366,357</u>	<u>1,445,171</u>
		<u>1,456,838</u>	<u>1,538,263</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 3 - EXPENSE con't

	2021	2020
Notes	\$	\$
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation		
Buildings & Other Structures	275,134	218,535
CWMS	147,337	114,647
Other Community Assets	97,339	29,702
Office Equipment, Furniture etc	6,822	6,850
Plant, Machinery, Equipment	188,442	200,510
Sealed Roads	272,549	-
Unsealed Roads	190,249	-
Kerb & Gutter	24,401	-
Footpath	43,792	-
Stormwater	2,140	-
Bridges	2,148	-
Infrastructure	-	418,259
	1,250,353	988,503
FINANCE COSTS		
Interest on Loans	185,373	203,294
	185,373	203,294

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

		2021	2020
Notes	\$	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		50,727	57,500
Less: Carrying amount of assets sold		68,107	53,270
Gain (Loss) on disposal		(17,380)	4,230
 <i>Assets surplus to requirements</i>			
Proceeds from disposal		-	166,629
Less: Carrying amount of assets sold		-	227,442
Gain (Loss) on disposal		-	(60,813)
 REAL ESTATE DEVELOPMENT ASSETS			
Proceeds from disposal		144,075	103,040
Less: Carrying amount of assets sold		144,000	141,000
Gain (Loss) on disposal		75	(37,960)
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS			
		(17,305)	(94,543)

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 5 - CURRENT ASSETS

	Notes	2021 \$	2020 \$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		180,257	225,919
Deposits at Call		1,620,840	2,855,481
Short Term Deposits & Bills, etc		6,569	2,306
		<u>1,807,666</u>	<u>3,083,706</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		193,218	218,092
Accrued Revenues		1,466	48,993
Debtors - general		13,517	59,093
GST Recoupment		52,824	-
Prepayments		41,985	49,993
		<u>303,010</u>	<u>376,171</u>
INVENTORIES			
Stores & Materials		46,181	17,682
Real Estate Developments	6	-	144,000
		<u>46,181</u>	<u>161,682</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (IPP&E)

Fair Value Level	2020				2021			
	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
								\$
Buildings & Other Structures	17,746,789	-	(11,997,840)	5,748,949	15,639,069	659,070	(10,958,782)	5,339,357
CWMS	10,960,059	-	(556,877)	10,403,182	10,789,536	-	(674,474)	10,115,062
Land	4,575,136	-	-	4,575,136	1,797,999	180,123	-	1,978,122
Other Community Assets	2,033,989	2,869,893	(1,067,590)	3,836,292	2,763,888	6,582,967	(1,107,362)	8,239,493
Office Equipment, Furniture etc	-	399,372	(352,088)	47,284	-	399,373	(358,911)	40,462
Plant, Machinery, Equipment	-	3,903,702	(2,014,223)	1,889,479	-	3,907,739	(2,000,040)	1,907,699
Transportation:	-	-	-	-	-	-	-	-
Sealed Roads	-	-	-	-	13,312,331	-	(3,599,876)	9,712,455
Unsealed Roads	-	-	-	-	4,680,663	-	(3,274,013)	1,406,650
Kerb & Gutter	-	-	-	-	1,100,420	-	(351,649)	748,771
Footpath	-	-	-	-	2,199,700	-	(677,540)	1,522,159
Stormwater	-	-	-	-	554,624	-	(385,573)	169,051
Bridges	-	-	-	-	180,000	-	(74,762)	105,238
Infrastructure	24,035,608	1,841,588	(12,524,012)	13,353,184	-	-	-	-
Reinstatement costs	-	246,986	-	246,986	-	-	-	-
Total IPP&E	59,003,909	9,261,541	(28,512,630)	40,100,492	53,018,230	11,729,272	(23,462,982)	41,284,519
Comparatives		6,082,156	(27,752,966)	36,333,099	59,351,581	9,261,541	(28,512,630)	40,100,492

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 2021

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2021
	2020										\$
	Carrying Amount	Additions		Disposals	Dep'n	Transfers		Net Reval'n			Carrying Amount
	New / Upgrade	Renewals			In	Out					
Buildings & Other Structures	5,748,949	-	659,070	-	(275,134)	-	-	(793,528)			5,339,357
CWMS	10,403,182	-	-	-	(147,337)	-	-	(140,783)			10,115,062
Land	4,575,136	180,123	-	-	-	-	-	(2,777,137)			1,978,122
Other Community Assets	3,836,292	3,713,074	-	-	(97,339)	576,507	-	210,959			8,239,493
Office Equipment, Furniture etc	47,284	-	-	-	(6,822)	-	-	-			40,462
Plant, Machinery, Equipment	1,889,479	-	256,595	(49,933)	(188,442)	-	-	-			1,907,699
Transportation:	-	-	-	-	-	-	-	-			-
Sealed Roads	-	580,917	580,917	(18,174)	(272,549)	7,664,848	-	1,176,495			9,712,455
Unsealed Roads	-	-	-	-	(190,249)	6,144,112	(2,742,674)	(1,804,539)			1,406,650
Kerb & Gutter	-	-	-	-	(24,401)	395,046	-	378,126			748,771
Footpath	-	-	-	-	(43,792)	1,036,768	-	529,183			1,522,159
Stormwater	-	-	-	-	(2,140)	171,191	-	-			169,051
Bridges	-	-	-	-	(2,148)	107,386	-	-			105,238
Infrastructure	13,353,184	-	-	-	-	-	(13,353,184)	-			-
Reinstatement costs	246,986	-	-	(246,986)	-	-	-	-			-
Total IPP&E	40,100,492	4,474,114	1,496,582	(315,093)	(1,250,353)	16,095,858	(16,095,858)	(3,221,224)			41,284,519
Comparatives	36,333,099	2,917,893	2,118,715	(280,712)	(988,503)	-	-	-			40,100,492

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 2021

Note 6 (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 Franklin Harbour
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 6 (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	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

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

Plant, Furniture & Equipment	
Office Equipment	5 to 10 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 Franklin Harbour
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 6 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 2020 at current replacement cost. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2020 by Martin Burns, of Liquid Pacific.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2021, based on actual costs incurred during the reporting periods ended 30 June 2020 and 2021. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by AssetVal Pty Ltd as at 30 June 2019 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2021. 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 2020 by Martin Burns, of Liquid Pacific. All acquisitions made after the respective dates of valuation are recorded at cost.

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 2021

Note7 - LIABILITIES

	Notes	2021		2020	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		407,401		178,866	
Payments received in advance		342,479	-	523,253	-
Accrued expenses - employee entitlements		32,660	-	18,627	-
Accrued expenses - other		215,428	-	387,259	-
		<u>997,968</u>	-	<u>1,108,005</u>	-
BORROWINGS					
Loans		326,345	5,174,724	313,629	5,501,070
		<u>326,345</u>	<u>5,174,724</u>	<u>313,629</u>	<u>5,501,070</u>

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

PROVISIONS

LSL Employee entitlements (including oncosts)		175,596	20,954	131,717	35,196
AL Employee entitlements (including oncosts)		180,227	-	164,005	-
Future reinstatement / restoration, etc		-	-	-	246,986
Other Provisions		308,000	1,954,750	308,000	1,954,750
		<u>663,823</u>	<u>1,975,704</u>	<u>603,722</u>	<u>2,236,932</u>

Movements in Provisions - 2021 year only

(current & non-current)

	Future Reinstatement	Other Provision
Opening Balance	246,986	2,593,668
Add Unwinding of present value discounts		
Additional amounts recognised	-	45,859
(Less) Payments		
Unused amounts reversed	246,986	-
Closing Balance	<u>-</u>	<u>2,639,527</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 8 - RESERVES

ASSET REVALUATION RESERVE	1/7/2020	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2021
Notes	\$	\$	\$	\$
Land	4,686,797	(2,777,137)	-	1,909,660
Buildings & Other Structures	3,039,424	(793,528)	-	2,245,896
Infrastructure	3,168,532	279,265	-	3,447,797
CWMS	-	(140,783)	-	(140,783)
Other Community Assets	-	210,959	-	210,959
TOTAL	10,894,753	(3,221,224)	-	7,673,529
Comparatives	10,894,753	-	-	10,894,753

OTHER RESERVES	1/7/2020	Transfers to Reserve	Transfers from Reserve	30/6/2021
Lucky Bay LGFA Reserve	35,135	-	-	35,135
TOTAL OTHER RESERVES	35,135	-	-	35,135
Comparatives	-	35,135	-	35,135

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 2021

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	2021 \$	2020 \$
Total cash & equivalent assets	5	<u>1,807,666</u>	<u>3,083,706</u>
Balances per Cash Flow Statement		<u>1,807,666</u>	<u>3,083,706</u>

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

Net Surplus (Deficit)		3,565,343	2,736,779
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		1,250,353	988,503
Net increase (decrease) in unpaid employee benefits		59,892	84,547
Grants for capital acquisitions treated as Investing Activity		(3,211,311)	(2,214,617)
Net (Gain) Loss on Disposals		<u>17,305</u>	<u>94,543</u>
		1,681,582	1,689,755
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		73,161	(7,700)
Net (increase) decrease in inventories		(28,499)	148,045
Net increase (decrease) in trade & other payables		<u>(124,070)</u>	<u>956,361</u>
Net Cash provided by (or used in) operations		<u>1,602,174</u>	<u>2,786,461</u>

(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	9,000	9,000
LGFA Cash Advance Debenture facility	1,100,000	-

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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2021	2020	2021	2020
	2021	2020	2021	2020	2021	2020	\$	\$	\$	\$
Administration	2,600,165	2,496,760	1,353,401	1,218,571	1,246,764	1,278,189	1,301,972	1,031,527	3,455,235	3,477,559
Public Order & Safety	6,886	6,612	1,403	1,260	5,483	5,352	-	-	-	-
Health	287,059	275,643	194,794	174,943	92,265	100,700	-	8,898	-	-
Housing & Community Services	807,218	775,116	904,400	812,236	(97,182)	(37,120)	1,766,052	49,927	245,400	246,986
Protection of the Environment	146,337	140,517	40,315	36,207	106,021	104,310	-	125,766	-	-
Sport Recreation & Culture	32,801	31,497	385,035	345,798	(352,234)	(314,301)	3,631	2,877	-	-
Fuel & Energy	-	-	-	-	-	-	-	1,214,617	-	-
Mining & Manufacture	5,642	5,418	3,677	3,302	1,966	2,116	-	-	-	-
Transport & Communication	604,188	580,160	1,222,605	1,098,014	(618,417)	(517,854)	1,984,297	1,572,120	39,740,741	39,997,506
Economic Affairs	50,326	48,325	80,813	72,578	(30,487)	(24,253)	-	-	-	-
Other Purposes	17,158	16,476	17,158	(3,090)	17,158	19,566	-	-	-	-
TOTALS	4,557,780	4,376,524	4,186,443	3,759,819	371,337	616,705	5,055,952	4,005,732	43,441,376	43,722,051

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 10 (con't) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Council Administration

Governance, Administration, 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 Inspections, Food Control, Immunisation, Preventive Health Services, Other Health Services,

Housing and Community Amenities

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.

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 the Planning, Development and Infrastructure Act

Transport

Construction and Maintenance of Roads, drainage works, footpaths, parking facilities and signs. Management of Aerodrome.

Economic Affairs

Pest Control Services, Tourism, Agriculture and Other Economic Development.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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: 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</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 8% (2020: 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: 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>
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: 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 2.35% and 6% (2020: 3.35% 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 2021

Note 11 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2021	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
<u>Financial Assets</u>					
Cash & Equivalents	1,807,666	-	-	1,807,666	1,807,666
Receivables	303,010	-	-	303,010	261,025
Total	2,110,676	-	-	2,110,676	2,068,691
<u>Financial Liabilities</u>					
Payables	997,968	-	-	997,968	749,880
Current Borrowings	326,345	-	-	326,345	326,345
Non-Current Borrowings	-	4,527,942	992,036	5,519,977	5,174,724
Total	1,324,313	4,527,942	992,036	6,844,290	6,250,949
2020	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$	\$	\$	\$	\$
<u>Financial Assets</u>					
Cash & Equivalents	3,083,706	-	-	3,083,706	3,083,706
Receivables	326,178	-	-	326,178	326,178
Total	3,409,884	-	-	3,409,884	3,409,884
<u>Financial Liabilities</u>					
Payables	702,119	-	-	702,119	702,119
Current Borrowings	313,629	-	-	497,785	313,629
Non-Current Borrowings	-	4,560,842	1,426,911	5,987,753	5,501,070
Total	1,015,748	4,560,842	1,426,911	7,187,657	6,516,818

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

	30 June 2021		30 June 2020	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Fixed Interest Rates	3.18	5,501,070	4.175	6,016,818
		5,501,070		6,016,818

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 11 - FINANCIAL INSTRUMENTS (con't)

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 Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 12 - FINANCIAL INDICATORS

2021 2020 2019

Adjustments to Ratios

1. 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 between years.

2. The Net Financial Liabilities Ratio (NFLR) for the 2020-21 financial year has also been adjusted to remove the impact of the provision of \$2.3M that relates to the Cowell Cottage retirement units license deposits reported in Other Provisions in note 8. It should be noted that upon repayment of a deposit a financial asset is created in the license is now being available to be resold, further to this an asset also exists being the land & buildings which is not included in the calculation of the NFLR.

If a user of these statements were to assess Councils financial health or financial sustainability based on the literal calculation of the NFLR, as prescribed by the Model Financial Statements, they would most likely reach an incorrect conclusion. Accordingly when undertaking such analysis readers are encouraged to understand and refer to the adjusted ratios that follow rather than the ratios reported at the end of this note that are consistent with the Model Financial Statements.

<i>Adjusted Operating Surplus Ratio</i>	8.6%	13.3%	20.0%
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<i>Adjusted Net Financial Liabilities Ratio</i>	118%	161%	121%
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Asset Renewal Funding Ratio

<u>Net Outlays on Existing Assets</u>	128%	173%	201%
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.

Operating Surplus Ratio

<u>Operating Surplus</u>	8.1%	14.1%	20.0%
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>	154%	144%	121%
Total Operating Income			

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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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

	2021	2020
	\$	\$
Income	4,557,780	4,376,524
Expenses	<u>(4,186,443)</u>	<u>(3,759,819)</u>
Operating Surplus / (Deficit)	371,337	616,705
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(1,496,583)	(2,118,715)
Add back Depreciation, Amortisation and Impairment	1,250,353	988,503
Proceeds from Sale of Replaced Assets	<u>50,727</u>	<u>57,500</u>
	(195,503)	(1,072,712)
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(4,474,114)	(2,917,893)
Amounts received specifically for New and Upgraded Assets	3,211,311	2,214,617
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>144,075</u>	<u>269,669</u>
	(1,118,728)	(433,607)
Net Lending / (Borrowing) for Financial Year	<u>(942,894)</u>	<u>(889,614)</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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 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 Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 15 - 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 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 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 2021

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, 9 persons were paid the following total compensation:

	2021	2020
	\$	\$
Salaries, allowances & other short term benefits	473,345	454,723
TOTAL	473,345	454,723

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

	2021	2020
	\$	\$
Planning and building applications fees	-	257
TOTAL	-	257

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

Two Councillors own businesses from which various supplies were purchased as required on a 7 day account. Total purchases amounted to \$12,833 for the financial year.

An amount of \$6,200 was paid to the Franklin Harbour Development Group for the commission from the sale of silo art calendars. 1 Elected Member is a member of this group.

District Council of Franklin Harbour Independent Auditor's Report

We have audited the attached financial statements, being a general purpose financial report, of the District Council of Franklin Harbour (Council) for the year ended 30 June 2021.

Opinion

In our opinion, the financial statements of the Council are properly drawn up:

- a) to present fairly the financial position of the Council as at the 30 June 2021 and the results of its operations for the period then ended, and;
- b) according to Australian Accounting Standards.

Basis for Opinion

For the audit of the Council we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the council to meet the requirements of the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members.

Responsibilities of Management for the Financial Report

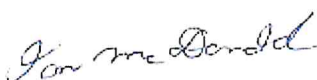
The Board of Management is responsible for the preparation of the financial report in accordance with the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011 and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



Ian G McDonald FCA
Registered Company Auditor 16458

Signed at Grange, 10 November 2021

Ian G McDonald FCA



Independent Assurance Report on the Internal Controls of the District Council of Franklin Harbour

We have audited the compliance of the District Council of Franklin Harbour (Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with law.

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 125* of the *Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for Opinion

For the audit of the Council we have maintained our independence in accordance with the relevant ethical requirements of APES 110 Section 290. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limitation on Use

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

Inherent Limitations

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

The Council's Responsibility for the Internal Controls

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

Our Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 125* of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable *Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements*, issued by the *Australian Auditing and Assurance Standards Board*, in order to state whether, in all material respects, the Council has complied with *Section 125* of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2020 to 30 June 2021. *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 and implementation of controls on a sample basis based on the assessed risks.

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

Ian G McDonald FCA
Chartered Accountant
Registered Company Auditor 16458

Signed at Grange, 10 November 2021

www.creativeauditing.com.au

Ian 0419 620 906
ianmcdonald@creativeauditing.org
Liability limited by a scheme approved under Professional Standards Legislation.

PO Box 75, Henley Beach SA 5022
ABN 37 158 328 655

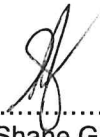
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nancytran@creativeauditing.org

**District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2021**

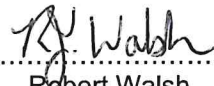
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the District Council of Franklin Harbour for the year ended 30 June 2021, the Council's Auditor, Ian G McDonald FCA, 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*.



.....
Shane Gill
CHIEF EXECUTIVE OFFICER



.....
Robert Walsh
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 22/10/21

Ian G McDonald FCA



District Council of Franklin Harbour

Annual Financial Statement

For the year ended 30 June 2021

Audit Certificate of Audit Independence

We confirm that, for the audit of the financial statements of the District Council of Franklin Harbour for the year ended 30 June 2021, we have maintained our 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*.

A handwritten signature in black ink that reads 'Ian G McDonald'.

Ian G McDonald FCA

Date: 24 September 2021

www.creativeauditing.com.au

Ian 0419 620 906
ianmcdonald@creativeauditing.org

PO Box 75, Henley Beach SA 5022
ABN 37 158 328 655

Liability limited by a scheme approved under Professional Standards Legislation.

Nancy 0408 832 848
nancytran@creativeauditing.org