



DISTRICT COUNCIL

OF

FRANKLIN HARBOUR

FINANCIAL STATEMENTS

**For The Year Ending
30 JUNE 2020**

Adopted: 11 November 2020
Resolution: 77/11/20

District Council of Franklin Harbour
General Purpose Financial Reports
for the year ended 30 June 2020

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District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2020

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 2020 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: 20/10/2020

District Council of Franklin Harbour
Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
INCOME			
Rates	2	1,684,461	1,645,562
Statutory charges	2	22,441	24,872
User charges	2	683,659	562,734
Grants, subsidies and contributions	2	1,791,115	2,141,162
Investment income	2	24,676	33,259
Reimbursements	2	5,501	92,546
Other income	2	164,671	94,733
Total Income		4,376,523	4,594,868
EXPENSES			
Employee costs	3	1,029,759	1,132,980
Materials, contracts & other expenses	3	1,538,262	1,349,494
Depreciation, amortisation & impairment	3	988,503	964,037
Finance costs	3	203,294	212,955
Total Expenses		3,759,818	3,659,466
OPERATING SURPLUS / (DEFICIT)		616,705	935,402
Asset disposal & fair value adjustments	4	(94,543)	25,142
Amounts received specifically for new or upgraded assets	2	2,214,617	260,252
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		2,736,779	1,220,796
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	(33,313)
Total Other Comprehensive Income		-	(33,313)
TOTAL COMPREHENSIVE INCOME		2,736,779	1,187,483

District Council of Franklin Harbour
Statement of Financial Position
as at 30 June 2020

ASSETS	Notes	2020	2019
		\$	\$
Current Assets			
Cash and cash equivalents	5	3,083,706	3,136,839
Trade & other receivables	5	376,171	368,471
Inventories	5	161,682	450,727
Total Current Assets		3,621,559	3,956,037
Non-current Assets			
Infrastructure, property, plant & equipment	6	40,100,492	36,333,099
Total Non-current Assets		40,100,492	36,333,099
Total Assets		43,722,051	40,289,136
LIABILITIES			
Current Liabilities			
Trade & other payables	7	1,108,005	142,181
Borrowings	7	313,629	344,772
Provisions	7	603,722	532,833
Total Current Liabilities		2,025,356	1,019,786
Non-current Liabilities			
Borrowings	7	5,501,070	5,814,699
Provisions	7	2,236,932	2,232,737
Total Non-current Liabilities		7,738,002	8,047,436
Total Liabilities		9,763,358	9,067,222
NET ASSETS		33,958,693	31,221,914
EQUITY			
Accumulated Surplus		23,028,805	20,327,161
Asset Revaluation Reserves	8	10,894,753	10,894,753
Other Reserves	8	35,135	-
TOTAL EQUITY		33,958,693	31,221,914

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 2020

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

District Council of Franklin Harbour
Statement of Changes in Equity
for the year ended 30 June 2020

2019	Notes	Acc'd Surplus \$	Asset Rev'n Reserve \$	Other Reserves \$	Total Council Equity \$	TOTAL EQUITY \$
Balance at end of previous reporting period		19,106,365	10,928,066	-	30,034,431	30,034,431
Restated opening balance		19,106,365	10,928,066	-	30,034,431	30,034,431
Net Surplus / (Deficit) for Year		1,220,796			1,220,796	1,220,796
Other Comprehensive Income						
Changes in revaluation surplus - infrastructure, property, plant & equipment			(33,313)		(33,313)	(33,313)
Balance at end of period	8	20,327,161	10,894,753	-	31,221,914	31,221,914

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 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		1,751,079	1,606,397
Fees & other charges		22,441	24,872
User charges		1,154,907	597,409
Investment receipts		26,858	31,524
Grants utilised for operating purposes		1,791,115	2,141,162
Reimbursements		5,501	92,546
Other revenues		123,563	94,733
<i>Payments:</i>			
Employee costs		(945,212)	(1,177,300)
Materials, contracts & other expenses		(931,371)	(1,883,123)
Finance payments		(212,419)	(166,334)
Net Cash provided by (or used in) Operating Activities		2,786,461	1,361,886
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		2,214,617	260,252
Sale of replaced assets		57,500	74,536
Sale of surplus assets		166,629	-
Sale of real estate developments		103,040	88,000
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(2,118,715)	(1,012,974)
Expenditure on new/upgraded assets		(2,917,893)	(1,123,387)
Net Cash provided by (or used in) Investing Activities		(2,494,822)	(1,713,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
Proceeds from borrowings		-	2,120,000
<i>Payments:</i>			
Repayments of borrowings		(344,772)	(274,126)
Net Cash provided by (or used in) Financing Activities		(344,772)	1,845,874
Net Increase (Decrease) in cash held		(53,133)	1,494,187
Cash & cash equivalents at beginning of period	9	3,136,839	1,642,652
Cash & cash equivalents at end of period	9	3,083,706	3,136,839

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 2020

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

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.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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:

	Cash Payment Received	Annual Allocation	Difference	
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

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

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. 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

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.

AASB 7 Financial Instruments - Disclosures and AASB 9 Financial Instruments commenced from 1 July 2018 and have the effect that non-contractual receivables (e.g. rates & charges) are now treated as financial instruments. Although the disclosures made in Note 13 Financial Instruments have changed, there are no changes to the amounts disclosed.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments also form part of Note 13.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020
Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

5.2 Other Real Estate held for resale

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

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

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

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

6.2 Initial Recognition

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

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

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

6.3 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

6.4 Subsequent Recognition

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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020
Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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.

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 on costs) 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 2020

Note 2 - INCOME

	2020	2019
	\$	\$
RATES REVENUES		
<u>General Rates</u>	1,294,309	1,257,089
Less: Discretionary rebates, remissions & write offs	(16,019)	(16,227)
	1,278,290	1,240,862
<u>Other Rates</u> (including service charges)		
Natural Resource Management levy	84,521	82,335
Community wastewater management systems	314,617	314,288
	399,138	396,623
<u>Other Charges</u>		
Penalties for late payment	7,033	8,077
	7,033	8,077
Less: Discretionary rebates, remissions & write offs		
	1,684,461	1,645,562
STATUTORY CHARGES		
Development Act fees	5,418	5,249
Town planning fees	9,028	7,990
Health & Septic Tank Inspection fees	1,390	4,608
Animal registration fees & fines	6,395	6,485
Parking fines / expiation fees	210	540
	22,441	24,872
USER CHARGES		
Cemetery/crematoria fees	3,991	9,883
Complex Water Usage	50,243	52,671
Hall & equipment hire	7,124	7,551
Camping fees	23,312	20,666
Shack Area Fees	105,022	110,406
Rubbish Disposal Fees	212,471	229,508
Boat Ramp Fees	14,751	15,975
Cowell Cottages	266,745	116,074
	683,659	562,734
INVESTMENT INCOME		
Interest on investments:		
Local Government Finance Authority	17,759	32,905
Banks & other	6,917	354
	24,676	33,259

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 2 - INCOME (con't)

REIMBURSEMENTS

- for roadworks	-	48,000
- for private works	5,501	21,604
- other	-	22,942
	<u>5,501</u>	<u>92,546</u>

OTHER INCOME

Rebates received	22,767	18,123
Sundry	141,904	76,610
	<u>164,671</u>	<u>94,733</u>

GRANTS, SUBSIDIES, CONTRIBUTIONS

Amounts received specifically for new or upgraded assets	2,214,617	260,252
Other grants, subsidies and contributions		
Untied - Financial Assistance Grant	1,788,238	2,141,162
Library & Communications	2,877	
	<u>1,791,115</u>	<u>2,141,162</u>
	<u>4,005,732</u>	<u>2,401,414</u>

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

Sources of grants

Commonwealth government	684,591	815,412
State government	3,321,141	1,586,002
	<u>4,005,732</u>	<u>2,401,414</u>
	2020	2019

Individually Significant Item

Coolanie Waterline	1,214,617	-
SLRP - Beach Road	1,000,000	

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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	543,000
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>		
<i>SLGIP</i>	<u>(237,645)</u>	<u>(305,355)</u>
<i>Subtotal</i>	<u>(237,645)</u>	<u>(305,355)</u>
 <i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Subtotal</i>	<u>-</u>	<u>-</u>
<i>Unexpended at the close of this reporting period</i>	<u>-</u>	<u>237,645</u>
 <i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>	<u><u>(237,645)</u></u>	<u><u>(305,355)</u></u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 3 - EXPENSE

	Notes	2020 \$	2019 \$
EMPLOYEE COSTS			
Salaries and Wages		1,392,225	1,189,666
Employee leave expense		113,526	129,182
Superannuation - defined contribution plan contributions	18	130,288	127,929
Superannuation - defined benefit plan contributions	18	28,776	60,695
Workers' Compensation Insurance		54,867	50,169
Less: Capitalised and distributed costs		<u>(689,923)</u>	<u>(424,661)</u>
Total Operating Employee Costs		<u>1,029,759</u>	<u>1,132,980</u>
Total Number of Employees		17	19
<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		17,730	18,690
Elected members' expenses		65,574	65,128
Election expenses		9,788	4,346
Subtotal - Prescribed Expenses		<u>93,092</u>	<u>88,164</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		452,138	684,238
Energy		138,812	183,081
Patrol Grading		217,625	-
Plant Maintenance		243,414	-
Rubbish Disposal		116,934	-
Legal Expenses		24,996	9,535
Levies paid to government - NRM levy		84,483	82,411
Parts, accessories & consumables		108,650	94,529
Professional services		58,118	73,929
Sundry		-	133,607
Subtotal - Other Materials, Contracts & Expenses		<u>1,445,170</u>	<u>1,261,330</u>
		<u>1,538,262</u>	<u>1,349,494</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 3 - EXPENSE con't

	2020	2019
Notes	\$	\$
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation		
Buildings & Other Structures	218,535	220,147
Other Community Assets	29,702	23,897
Infrastructure	418,259	380,717
CWMS	114,647	115,209
Plant, Machinery, Equipment	200,510	215,911
Office Equipment, Furniture etc	6,850	8,156
	<u>988,503</u>	<u>964,037</u>
FINANCE COSTS		
Interest on Loans	<u>203,294</u>	<u>212,955</u>
	<u>203,294</u>	<u>212,955</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

	Notes	2020 \$	2019 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		57,500	74,536
Less: Carrying amount of assets sold		<u>53,270</u>	<u>47,394</u>
Gain (Loss) on disposal		<u>4,230</u>	<u>27,142</u>
<i>Assets surplus to requirements</i>			
Proceeds from disposal		166,629	-
Less: Carrying amount of assets sold		<u>227,442</u>	<u>-</u>
Gain (Loss) on disposal		<u>(60,813)</u>	<u>-</u>
REAL ESTATE DEVELOPMENT ASSETS			
Proceeds from disposal		103,040	88,000
Less: Carrying amount of assets sold		<u>141,000</u>	<u>90,000</u>
Gain (Loss) on disposal		<u>(37,960)</u>	<u>(2,000)</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(94,543)</u>	<u>25,142</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 5 - CURRENT ASSETS

	Notes	2020 \$	2019 \$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		225,919	99,723
Deposits at Call		2,855,481	3,014,400
Short Term Deposits & Bills, etc		2,306	22,716
		<u>3,083,706</u>	<u>3,136,839</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		218,092	284,710
Accrued Revenues		48,993	10,067
Debtors - general		59,093	14,915
Prepayments		49,993	58,779
		<u>376,171</u>	<u>368,471</u>
INVENTORIES			
Stores & Materials		17,682	165,727
Real Estate Developments		144,000	285,000
		<u>161,682</u>	<u>450,727</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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

Fair Value Level	2019 \$'000				2020 \$'000			
	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land	4,626,136	-	-	4,626,136	4,575,136	-	-	4,575,136
Land	-	-	-	-	-	-	-	-
Buildings & Other Structures	17,954,522	235,267	(12,096,634)	6,093,155	17,746,789	-	(11,997,840)	5,748,949
Other Community Assets	1,817,224	216,765	(1,037,888)	996,101	2,033,989	2,869,893	(1,067,590)	3,836,292
Infrastructure	22,672,261	1,027,300	(11,769,706)	11,929,855	24,035,608	1,841,588	(12,524,012)	13,353,184
CWMS	10,933,766	26,293	(442,230)	10,517,829	10,960,059	-	(556,877)	10,403,182
Plant, Machinery, Equipment	-	3,927,843	(2,053,691)	1,874,152	-	3,903,702	(2,014,223)	1,889,479
Office Equipment, Furniture etc	-	401,702	(352,817)	48,885	-	399,372	(352,088)	47,284
Right of Use Assets	-	-	-	-	-	-	-	-
Reinstatement costs	-	246,986	-	246,986	-	246,986	-	246,986
Total IPP&E	58,003,909	6,082,156	(27,752,966)	36,333,099	59,351,581	9,261,541	(28,512,630)	40,100,492
	54,841,849	7,225,037	(26,825,404)	35,241,482	58,003,909	6,082,156	(27,752,966)	36,333,099

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 2020

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2020 \$
	2019 \$	Net Adjust AASB 16	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	
			New / Upgrade	Renewals				In	Out		
Land	4,626,136		48,000	-	(99,000)	-	-	-	-	-	4,575,136
Buildings & Other Structures	6,093,155		-	-	(125,671)	(218,535)	-	-	-	-	5,748,949
Other Community Assets	996,101		2,869,893	-	-	(29,702)	-	-	-	-	3,836,292
Infrastructure	11,929,855		-	1,841,588	-	(418,259)	-	-	-	-	13,353,184
CWMS	10,517,829		-	-	-	(114,647)	-	-	-	-	10,403,182
Plant, Machinery, Equipment	1,874,152		-	269,107	(53,270)	(200,510)	-	-	-	-	1,889,479
Office Equipment, Furniture etc	48,885		-	8,020	(2,771)	(6,850)	-	-	-	-	47,284
Right of Use Assets	-	-	-	-	-	-	-	-	-	-	-
Reinstatement costs	246,986		-	-	-	-	-	-	-	-	246,986
Total IPP&E	36,333,099	-	2,917,893	2,118,715	(280,712)	(988,503)	-	-	-	-	40,100,492
Comparatives	35,241,482		1,123,387	1,012,974	(47,394)	(964,037)	-	-	-	(33,313)	36,333,099

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 2020

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.

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

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

District Council of Franklin Harbour

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2020

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 1st July 2014 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 1st July 2014 by Liquid Pacific. These Assets were due to be revalued this financial year, however due to COVID-19 this project was not finalised.

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. These Assets were due to be revalued this financial year, however due to COVID-19 this project was not finalised.

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 2019. 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.

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 2020

Note 7 - LIABILITIES

	Notes	2020		2019	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		178,866		44,957	
Payments received in advance		523,253	-	7,827	-
Accrued expenses - employee entitlements		18,627	-	9,164	-
Accrued expenses - other		387,259	-	80,233	-
		<u>1,108,005</u>	<u>-</u>	<u>142,181</u>	<u>-</u>
BORROWINGS					
Loans		313,629	5,501,070	344,772	5,814,699
		<u>313,629</u>	<u>5,501,070</u>	<u>344,772</u>	<u>5,814,699</u>

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

PROVISIONS

Employee entitlements (including oncosts)	295,722	35,196	224,833	31,001
Future reinstatement / restoration, etc	-	246,986	-	246,986
Other Provisions	308,000	1,954,750	308,000	1,954,750
	<u>603,722</u>	<u>2,236,932</u>	<u>532,833</u>	<u>2,232,737</u>

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

Movements in Provisions - 2020 year only

	Insurance Losses	Future Reinstatement	Other Provision
Opening Balance	-	246,986	2,518,584
Add Unwinding of present value discounts			
Additional amounts recognised			75,084
(Less) Payments			
Unused amounts reversed			
Add (Less) Remeasurement Adjustments			
Closing Balance	<u>-</u>	<u>246,986</u>	<u>2,593,668</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 8 - RESERVES

ASSET REVALUATION RESERVE	1/7/2019	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2020
Notes	\$	\$	\$	\$
Land	4,686,797	-	-	4,686,797
Buildings & Other Structures	3,039,424	-	-	3,039,424
Infrastructure	3,168,532	-	-	3,168,532
TOTAL	10,894,753	-	-	10,894,753
Comparatives	10,894,753	-	-	10,894,753

OTHER RESERVES	1/7/2019	Transfers to Reserve	Transfers from Reserve	30/6/2020
Lucky Bay LGFA Reserve	-	35,135	-	35,135
TOTAL OTHER RESERVES	-	35,135	-	35,135
Comparatives	-	-	-	-

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 2020

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	2020 \$	2019 \$
Total cash & equivalent assets	5	3,083,706	3,136,839
Balances per Cash Flow Statement		<u>3,083,706</u>	<u>3,136,839</u>

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

Net Surplus (Deficit)		2,736,779	1,220,796
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		988,503	964,037
Net increase (decrease) in unpaid employee benefits		84,547	(44,320)
Change in allowances for under-recovery		-	(40,000)
Grants for capital acquisitions treated as Investing Activity		(2,214,617)	(260,252)
Net (Gain) Loss on Disposals		94,543	(25,142)
		<u>1,689,755</u>	<u>1,815,119</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(7,700)	7,366
Net (increase) decrease in inventories		148,045	(57,040)
Net increase (decrease) in trade & other payables		956,361	(109,559)
Net increase (decrease) in other provisions		-	(294,000)
Net Cash provided by (or used in) operations		<u>2,786,461</u>	<u>1,361,886</u>

(d) Financing Arrangements

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

Corporate Credit Cards	9,000	9,000
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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 2020

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 2020 \$	ACTUAL 2019 \$	ACTUAL 2020 \$	ACTUAL 2019 \$	ACTUAL 2020 \$	ACTUAL 2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Administration	2,496,760	2,404,685	1,218,570	472,670	1,278,190	1,932,015	1,031,527	1,020,353	3,477,559	3,671,038
Public Order & Safety	6,612	7,052	1,260	38,316	5,352	(31,264)				
Health	275,643	202,776	174,943	265,528	100,700	(62,752)	8,898	106,905		
Housing & Community Services	775,116	1,238,876	812,236	860,313	(37,120)	378,563	49,927	316,036	246,986	246,986
Protection of the Environment	140,517	15,975	36,207	65,986	104,310	(50,011)	125,766	114,333		
Sport Recreation & Culture	31,497	40,458	345,798	549,870	(314,301)	(509,412)	2,877	112,996		
Fuel & Energy	-	-	-	-	-	-	1,214,617			
Mining & Manufacture	5,418	5,249	3,302	1,003	2,116	4,246				
Transport & Communication	580,160	567,572	1,098,014	1,247,140	(517,854)	(679,568)	1,572,120	722,804	39,997,506	36,371,112
Economic Affairs	48,325	28,690	72,578	65,825	(24,253)	(37,135)				
Other Purposes	16,476	83,535	(3,090)	92,815	19,566	(9,280)		7,987		
TOTALS	4,376,524	4,594,868	3,759,818	3,659,466	616,706	935,402	4,005,732	2,401,414	43,722,051	40,289,136

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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 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 2020

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 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: Secured over the subject land, arrears attract interest of 8% (2019: 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 3.35% and 6% (2019: 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 2020

Note 11 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2020	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
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
Financial Liabilities					
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
2019					
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	3,136,839			3,136,839	3,136,839
Receivables	368,471			368,471	368,471
Total	3,505,310	-	-	3,505,310	3,505,310
Financial Liabilities					
Payables	52,784			52,784	52,784
Current Borrowings	569,261			569,261	344,772
Non-Current Borrowings		1,727,942	4,658,897	6,386,839	5,814,699
Total	622,045	1,727,942	4,658,897	7,008,884	6,212,255

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

	30 June 2020		30 June 2019	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Fixed Interest Rates	4.175	6,016,818	3.74	6,212,255
		<u>6,016,818</u>		<u>6,212,255</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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 2020

Note 12 - FINANCIAL INDICATORS

	2020	2019	2018
Operating Surplus Ratio			
<u>Operating Surplus</u>	14.1%	20.0%	21.7%
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>	144%	121%	132%
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 between years.

<i>Adjusted Operating Surplus Ratio</i>	13.3%	20.0%	21.5%
<i>Adjusted Net Financial Liabilities Ratio</i>	161%	121%	118%

Asset Renewal Funding Ratio

<u>Net Outlays on Existing Assets</u>	173%	201%	82%
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.

Ratio Analysis:

Provide a brief analysis about the state of Councils financial health with reference to movements from year to year of the two adjusted ratios as well as the asset renewal ratio.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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

	2020	2019
	\$	\$
Income	4,376,523	4,594,868
Expenses	<u>(3,759,818)</u>	<u>(3,659,466)</u>
Operating Surplus / (Deficit)	616,705	935,402
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(2,118,715)	(1,012,974)
Add back Depreciation, Amortisation and Impairment	988,503	964,037
Proceeds from Sale of Replaced Assets	<u>57,500</u>	<u>74,536</u>
	(1,072,712)	25,599
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(2,917,893)	(1,123,387)
Amounts received specifically for New and Upgraded Assets	2,214,617	260,252
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>269,669</u>	<u>88,000</u>
	(433,607)	(775,135)
Net Lending / (Borrowing) for Financial Year	<u>(889,614)</u>	<u>185,866</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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 2018-19; 9.50% in 2019-20). 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 119.32(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 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 2020

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 2020

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:

	2020	2019
	\$	\$
Salaries, allowances & other short term benefits	454,723	447,165
Post-employment benefits		
Long term benefits		
Termination benefits		
TOTAL	454,723	447,165

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

	2020	2019
	\$	\$
Contributions for fringe benefits tax purposes		
Planning and building applications fees	257	173
Rentals for Council property		
TOTAL	257	173

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

Two Councillors own retail businesses from which various supplies were purchased as required on a 7 day account. Total purchases amounted to \$20,594 for the financial year.

A donation of \$5,000 was made to the Lions Club of Cowell. 3 of the Elected Members are members of this group

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL REPORT

To the members of the District Council of Franklin Harbour

Qualified Opinion

We have audited the accompanying financial report of the District Council of Franklin Harbour (the Council), which comprises the Statement of Financial Position as at 30 June 2020, Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of District Council of Franklin Harbour.

In our opinion, except for the effect of the matters described below in the Basis for Qualified opinion paragraph, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

Basis for Qualified 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.

In our opinion the depreciation expense (Statement of Comprehensive Income) and the reported carrying value of the Transport Infrastructure assets which are reported as part of Council's Infrastructure assets within Infrastructure, Property, Plant & Equipment assets (Balance Sheet) for the financial year ended 30 June 2020, are not able to be relied upon. The reason the reported asset carrying values and associated depreciation expense are not able to be relied upon is that there has not been a review of the remaining useful lives and test for impairment (including a physical condition assessments and test for obsolescence) on the entire class of assets since 30 June 2014.

A complete stocktake of Council's Transport Infrastructure assets has also not been undertaken since the last valuation was completed as at 30 June 2014 to verify the completeness of Council's asset register to confirm that all assets had been appropriately accounted for.

At the date of signing this audit report, due to the matters raised above in relation to Transport Infrastructure assets, we are unable to rely on the accuracy and completeness of the reported depreciation expense and asset carrying values recorded in the Statement of Comprehensive Income and Balance Sheet.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. This responsibility includes determining that the basis of preparation described in Note 1 is appropriate to meet the need of the members. The Council'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 Council 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 basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 Council.
- Conclude on the appropriateness of the Council'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**

A handwritten signature in black ink, appearing to read 'SC', written in a cursive style.

**SAMANTHA CRETEN
PARTNER**

Signed on the 17th day of November 2020,
at 214 Melbourne Street, North Adelaide

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

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 the 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 2019 to 30 June 2020.

Basis for opinion

We have audited the Internal Controls of the District Council of Franklin Harbour (the 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 2019 to 30 June 2020 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements *ASAE 3150 Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

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.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applying Auditing Standard *ASQC 1 Quality Control for Firms that Perform Audits and Review of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking the assurance engagement.

Assurance Practitioner's Responsibilities

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.

ASAE 3150 requires that we plan and performed our procedure to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period.

An assurance engagement to report on the designed and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness to the controls that we consider necessary to achieve the control objectives identified. An Assurance engagement of this type also includes evaluating the suitability of the control objectives.

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 operating effectiveness of 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.

**DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS**



**SAMANTHA CRETEN
PARTNER**

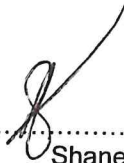
Signed on the 17th day of November 2020
at 214 Melbourne Street, North Adelaide, South Australia, 5006

**District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2020**

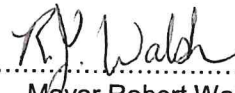
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Coalface SA Council for the year ended 30 June 2020, the Council's Auditor,, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* 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



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

Date: 20/10/2020

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 2020, 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 7th day of October 2020