



District Council of Franklin Harbour

**General Purpose Financial Reports
for the year ended 30 June 2023**

District Council of Franklin Harbour
General Purpose Financial Reports
for the year ended 30 June 2023

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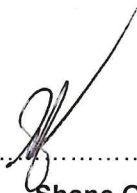
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**District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2023**

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 2023 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

Date: 11/10/2023



Robert Walsh

MAYOR/COUNCILLOR

District Council of Franklin Harbour
Statement of Comprehensive Income
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
INCOME			
Rates	2	1,916,638	1,777,410
Statutory charges	2	36,936	35,776
User charges	2	743,793	740,664
Grants, subsidies and contributions - Capital	2	2,640,373	-
Grants, subsidies and contributions - Operating	2	4,829,596	3,225,727
Investment income	2	21,438	2,414
Reimbursements	2	10,264	3,366
Other income	2	98,615	80,536
Total Income		10,297,653	5,865,893
EXPENSES			
Employee costs	3	1,515,830	1,370,119
Materials, contracts & other expenses	3	4,211,492	2,646,141
Depreciation, amortisation & impairment	3	1,533,863	1,401,429
Finance costs	3	208,208	184,428
Total Expenses		7,469,392	5,602,116
OPERATING SURPLUS / (DEFICIT)		2,828,261	263,778
Asset disposal & fair value adjustments	4	17,376	14,744
Amounts received specifically for new or upgraded assets	2	2,297,379	3,351,035
NET SURPLUS / (DEFICIT) transferred to Equity Statement		5,143,015	3,629,557
Other Comprehensive Income			
Impairment (expense) / recoupments offset to asset revaluation reserve	8	-	(211,725)
Total Other Comprehensive Income		-	(211,725)
TOTAL COMPREHENSIVE INCOME		5,143,015	3,417,832

District Council of Franklin Harbour
Statement of Financial Position
as at 30 June 2023

ASSETS	Notes	2023	2022
		\$	\$
Current Assets			
Cash and cash equivalents	5	1,807,929	865,458
Trade & other receivables	5	943,455	1,329,761
Inventories	5	27,725	28,856
Total Current Assets		<u>2,779,109</u>	<u>2,224,075</u>
Non-current Assets			
Infrastructure, property, plant & equipment	6	49,150,812	45,292,714
Total Non-current Assets		<u>49,150,812</u>	<u>45,292,714</u>
Total Assets		<u>51,929,921</u>	<u>47,516,790</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	7	466,544	1,946,716
Borrowings	7	353,388	339,591
Provisions	7	722,070	691,118
Total Current Liabilities		<u>1,542,002</u>	<u>2,977,424</u>
Non-current Liabilities			
Borrowings	7	5,520,864	4,835,134
Provisions	7	2,003,396	1,983,588
Total Non-current Liabilities		<u>7,524,260</u>	<u>6,818,722</u>
Total Liabilities		<u>9,066,262</u>	<u>9,796,146</u>
NET ASSETS		<u>42,863,659</u>	<u>37,720,644</u>
EQUITY			
Accumulated surplus		35,366,720	30,223,705
Asset revaluation reserves	8	7,461,804	7,461,804
Other reserves	8	35,135	35,135
TOTAL EQUITY		<u>42,863,659</u>	<u>37,720,644</u>

District Council of Franklin Harbour
Statement of Changes in Equity
for the year ended 30 June 2023

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2023	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		30,223,705	7,461,804	35,135	37,720,644
Net Surplus / (Deficit) for Year		5,143,015			5,143,015
Balance at end of period	9	35,366,720	7,461,804	35,135	42,863,659

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2022	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		26,594,148	7,673,529	35,135	34,302,812
Net Surplus / (Deficit) for Year		3,629,557			3,629,557
Other Comprehensive Income					
Impairment (expense) / recouplements offset to asset revaluation reserve			(211,725)		(211,725)
Balance at end of period	9	30,223,705	7,461,804	35,135	37,720,644

District Council of Franklin Harbour
Statement of Cash Flows
for the year ended 30 June 2023

	Notes	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		1,933,512	1,775,502
Fees & other charges		40,630	37,565
User charges		26,052	685,463
Investment receipts		21,438	3,880
Grants utilised for operating purposes		4,826,457	3,225,727
Reimbursements		11,290	3,534
Other revenues		956,632	836,150
<i>Payments:</i>			
Employee costs		(1,454,287)	(1,328,462)
Materials, contracts & other expenses		(5,499,904)	(3,299,234)
Finance payments		(182,043)	(300,417)
Net Cash provided by (or used in) Operating Activities		<u>679,777</u>	<u>1,639,709</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		2,297,379	3,351,035
Grants utilised for capital purposes		2,640,373	-
Sale of replaced assets		29,091	179,025
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(4,669,454)	(1,233,395)
Expenditure on new/upgraded assets		(734,222)	(4,552,236)
Net Cash provided by (or used in) Investing Activities		<u>(436,833)</u>	<u>(2,255,572)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
Proceeds from borrowings		-	(326,345)
<i>Payments:</i>			
Repayments of borrowings		699,527	-
Net Cash provided by (or used in) Financing Activities		<u>699,527</u>	<u>(326,345)</u>
Net Increase (Decrease) in cash held		<u>942,471</u>	<u>(942,208)</u>
Cash & cash equivalents at beginning of period	9	<u>865,458</u>	<u>1,807,666</u>
Cash & cash equivalents at end of period	9	<u>1,807,929</u>	<u>865,458</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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 on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011 dated (insert date).

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 these Notes.

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 Council 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 2023

Note 1 - Significant Accounting Policies

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
2020-21	1,211,571	1,236,430	-	24,859
2021-22	1,643,952	1,268,128	+	375,824
2022-23	1,960,319	1,380,888	+	579,431

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 Contract Revenue

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, except for trade receivables from a contract with a customer, which are measured at the transaction price. 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.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 1 - Significant Accounting Policies

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.

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.

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.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023
Note 1 - Significant Accounting Policies

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

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

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 (other than grants) 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

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings 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 initially recognised at fair value with any difference between fair value and proceeds recognised in the profit and loss. The loan is subsequently measured at amortised cost with interest being recognised using the effective interest rate method.

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	4.25% (2022, 3.65%)
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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.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023
Note 1 - Significant Accounting Policies

Superannuation:

The Council makes employer superannuation contributions in respect of its employees to the Hostplus 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.

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 licenses are repayable by Council. A provision has been included in Note 7.

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 2022. 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 *Please refer to Appendix A of MFS for a listing of all new accounting standards. To determine relevant standards for inclusion in this note.*

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME

	Notes	2023 \$	2022 \$
RATES REVENUES			
<u>General Rates</u>		1,464,583	1,372,871
Less: Discretionary rebates, remissions & write offs		(16,635)	(15,612)
		1,447,948	1,357,259
<u>Other Rates</u> (including service charges)			
Landscape levy		99,664	95,690
Community wastewater management systems		363,083	318,935
		462,747	414,624
<u>Other Charges</u>			
Penalties for late payment		5,943	5,527
		5,943	5,527
Less: Discretionary rebates, remissions & write offs			-
		1,916,638	1,777,410
STATUTORY CHARGES			
Development Act fees		24,591	19,125
Town planning fees			3,500
Health & Septic Tank Inspection fees			349
Animal registration fees & fines		5,908	6,503
Other licences, fees, & fines		6,437	6,299
		36,936	35,776
USER CHARGES			
Cemetery/crematoria fees		5,482	9,400
Hall & equipment hire		6,530	6,170
Camping Fees		73,902	45,373
Shack Area Fees		118,189	116,957
Rubbish Disposal Fees		236,044	222,174
Boat Ramp Fees		36,336	20,259
Cowell Cottages		127,504	112,990
Coolanie Water Fees		60,064	86,616
Standpipe Water Use		-	10,962
Other User Charges		79,742	109,762
		743,793	740,664

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME (con't)

	Notes	2023 \$	2022 \$
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		21,394	2,353
Banks & other		44	61
		<u>21,438</u>	<u>2,414</u>
REIMBURSEMENTS			
Private works		9,064	3,236
Other		1,200	130
		<u>10,264</u>	<u>3,366</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		56,362	-
Sundry		42,253	80,536
		<u>98,615</u>	<u>80,536</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
<i>Amounts received specifically for new or upgraded assets</i>		2,297,379	3,351,035
<i>Other grants, subsidies and contributions - Capital</i>			
Roads to Recovery		221,461	
Disaster Recovery Funding		2,418,912	
		<u>2,640,373</u>	-
<i>Other grants, subsidies and contributions - Operating</i>			
Untied - Financial Assistance Grant		1,960,319	1,703,502
Disaster Recovery Funding		2,727,709	909,564
Roads to Recovery		-	332,192
Library & Communications		3,427	3,540
Sundry		138,141	276,929
		<u>4,829,596</u>	<u>3,225,727</u>
		<u>9,767,348</u>	<u>6,576,762</u>

The functions to which these grants relate are shown in Note 10.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 2 - INCOME (con't)

	Notes	2023 \$	2022 \$
Sources of grants			
Commonwealth government		2,518,840	3,683,227
State government		7,248,508	2,893,535
Other		-	-
		<u>9,767,348</u>	<u>6,576,762</u>
 Individually Significant Item			
Additional FAGs grant payment - June 2023		579,431	-
Disaster Recovery Funding spent on Capital		2,418,912	-
Additional FAGs grant payment - June 2022			375,824
 Conditions over grants & contributions			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
 <i>Unexpended at the close of the previous reporting period</i>		742,866	371,433
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>			
LGCIP (x2)		<u>441,536</u>	<u>371,433</u>
<i>Subtotal</i>		<u>441,536</u>	<u>371,433</u>
<i>Unexpended at the close of this reporting period</i>		<u>1,184,402</u>	<u>742,866</u>
 <i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>		<u>441,536</u>	<u>371,433</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 3 - EXPENSE

	Notes	2023 \$	2022 \$
EMPLOYEE COSTS			
Salaries and Wages		1,434,662	1,387,291
Employee leave expense		161,082	95,830
Superannuation - defined contribution plan contributions	14	111,406	102,474
Superannuation - defined benefit plan contributions	14	38,652	36,000
Workers' Compensation Insurance		36,304	31,892
Less: Capitalised and distributed costs		<u>(266,276)</u>	<u>(283,367)</u>
Total Operating Employee Costs		<u>1,515,830</u>	<u>1,370,119</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		13,000	14,000
Elected members' expenses		80,165	69,707
Election expenses		8,104	400
Subtotal - Prescribed Expenses		<u>101,269</u>	<u>84,108</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		7,932,972	5,850,839
Energy		292,845	272,445
Patrol Grading		54,938	114,001
Plant Maintenance		129,267	299,946
Rubbish Disposal		95,757	109,232
Legal Expenses		11,720	12,181
Levies paid to government - Landscape levy		98,353	94,719
Parts, accessories & consumables		117,079	46,914
Professional services		33,889	47,636
Other Capital		480,801	1,773,571
Less: Capitalised and Distributed Costs		<u>(5,137,399)</u>	<u>(6,059,452)</u>
Subtotal - Other Materials, Contracts & Expenses		<u>4,110,223</u>	<u>2,562,033</u>
		<u>4,211,492</u>	<u>2,646,141</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 3 - EXPENSE con't

	2023	2022
Notes	\$	\$
INDIVIDUALLY SIGNIFICANT ITEMS		
<i>Insert Description</i>		
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation		
Buildings & Other Structures	290,799	285,661
CWMS	147,337	147,337
Other Community Assets	332,108	228,033
Office Equipment, Furniture	6,822	6,822
Plant, Machinery, Equipment	188,668	185,553
Sealed Roads	328,436	308,329
Unsealed Roads	167,212	378,937
Kerb & Gutter	43,792	43,792
Footpath	24,401	24,401
Stormwater	2,140	2,140
Bridges	2,148	2,148
	<u>1,533,863</u>	<u>1,613,154</u>
Less: Impairment expense offset to asset revaluation reserve	6	(211,725)
	<u>1,533,863</u>	<u>1,401,429</u>
FINANCE COSTS		
Interest on Loans	208,208	184,428
	<u>208,208</u>	<u>184,428</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

		2023	2022
	Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		29,091	179,025
Less: Carrying amount of assets sold		11,715	164,281
Gain (Loss) on disposal		17,376	14,744
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		17,376	14,744

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 5 - CURRENT ASSETS

	Notes	2023	2022
		\$	\$
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		80,651	126,435
Deposits at Call		1,723,180	727,454
Short Term Deposits & Bills, etc		4,098	11,569
		<u>1,807,929</u>	<u>865,458</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		178,252	195,126
Debtors - general		591,340	937,011
Other levels of Government		3,139	-
GST Recoupment		116,167	133,862
Prepayments		54,557	63,762
		<u>943,455</u>	<u>1,329,761</u>
INVENTORIES			
Stores & Materials		27,725	28,856
		<u>27,725</u>	<u>28,856</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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

	Fair Value Level	2022				2023			
		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
		\$				\$			
Land	2	1,797,999	431,590	-	2,229,589	1,797,999	431,590	-	2,229,589
Buildings & Other Structures	3	15,639,069	864,590	(11,244,443)	5,259,216	15,673,508	864,590	(11,535,243)	5,002,856
CWMS	3	10,789,535	-	(821,811)	9,967,725	10,789,536	-	(969,148)	9,820,388
Other Community Assets	3	2,763,888	10,738,851	(1,335,394)	12,167,345	3,498,112	10,738,851	(1,667,502)	12,569,460
Office Equipment, Furniture		399,373	-	(365,733)	33,640	-	399,371	(372,556)	26,818
Plant, Machinery, Equipment		-	3,981,470	(1,920,491)	2,060,981	-	3,992,988	(2,078,331)	1,914,657
Sealed Roads	3	13,312,325	547,012	(3,908,205)	9,951,135	15,466,291	547,012	(4,236,641)	11,776,660
Unsealed Roads	3	4,537,573	179,868	(3,567,096)	1,150,345	4,537,573	2,606,862	(3,734,308)	3,410,127
Kerb & Gutter	3	2,199,700	-	(721,333)	1,478,367	2,199,700	-	(765,125)	1,434,575
Footpath	3	1,100,420	-	(376,050)	724,370	1,100,420	-	(400,451)	699,969
Stormwater	3	554,624	-	(387,713)	166,911	554,624	-	(389,853)	164,771
Bridges	3	180,000	-	(76,910)	103,090	180,000	-	(79,057)	100,942
Total IPP&E		53,274,506	16,743,382	(24,725,179)	45,292,714	55,797,763	19,581,263	(26,228,214)	49,150,812
Comparatives		53,018,230	11,729,273	(23,462,983)	41,284,519	53,274,506	16,743,382	(24,725,179)	45,292,714

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 2023

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Carrying Amounts Movement During the Year										2023
	\$										\$
	2022 Carrying Amount	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount	
	New / Upgrade	Renewals	In				Out				
Land	2,229,589	-	-	-	-	-	-	-	-	-	2,229,589
Buildings & Other Structures	5,259,216	-	34,440	-	(290,799)	-	-	-	-	-	5,002,856
CWMS	9,967,725	-	-	-	(147,337)	-	-	-	-	-	9,820,388
Other Community Assets	12,167,345	734,222	-	-	(332,108)	-	-	-	-	-	12,569,460
Office Equipment, Furniture	33,640	-	-	-	(6,822)	-	-	-	-	-	26,818
Plant, Machinery, Equipment	2,060,981	-	54,059	(11,715)	(188,668)	-	-	-	-	-	1,914,657
Sealed Roads	9,951,135	-	2,153,960	-	(328,436)	-	-	-	-	-	11,776,660
Unsealed Roads	1,150,345	-	2,426,994	-	(167,212)	-	-	-	-	-	3,410,127
Kerb & Gutter	1,478,367	-	-	-	(43,792)	-	-	-	-	-	1,434,575
Footpath	724,370	-	-	-	(24,401)	-	-	-	-	-	699,969
Stormwater	166,911	-	-	-	(2,140)	-	-	-	-	-	164,771
Bridges	103,090	-	-	-	(2,148)	-	-	-	-	-	100,942
Total IPP&E	45,292,715	734,222	4,669,453	(11,715)	(1,533,863)	-	-	-	-	-	49,150,812
Comparatives	41,284,519	4,552,236	1,233,395	(164,281)	(1,401,429)	-	-	-	(211,725)	-	45,292,714

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 2023

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.

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 2023

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

Transfers between fair value hierarchy levels (Please delete the following paragraphs if not relevant to your Council)

In the course of revaluing (*name the asset classes*), the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

During the course of the year, a parcel of land previously held for operational purposes was designated as community land under the Local Government Act 1993. The change in designation introduced a new, unobservable input, being the restrictive processes involved in the future disposal of the land and necessitated the transfer of its valuation from fair value hierarchy level 2 to level 3, and the adjustment of the valuation. The transfer took effect at the date of designation as community land.

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	9,000
Park & Playground Furniture & Equipment	2,000
Road construction & reconstruction	9,000
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

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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

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 & Culverts	80 to 100 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC Other	70 to 80 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite
Right-of-use assets (refer Note 17)	2 to 3 years

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 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 and depreciated over the estimated remaining life of the relevant asset.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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

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 Council officers 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 2023

Note 7 - LIABILITIES

	Notes	2023		2022	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		227,304		563,283	
Payments received in advance		35,949		1,173,740	-
Accrued expenses - employee entitlements		49,924		39,138	-
Accrued expenses - other		125,604		99,439	-
GST Payable		1,769		43,864	
Other		25,994		27,252	
		<u>466,544</u>	<u>-</u>	<u>1,946,716</u>	<u>-</u>

BORROWINGS

Loans		353,388	5,520,864	339,591	4,835,134
		<u>353,388</u>	<u>5,520,864</u>	<u>339,591</u>	<u>4,835,134</u>

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

PROVISIONS

LSL Employee entitlements (including oncosts)		235,945	48,646	201,042	28,838
AL Employee entitlements (including oncosts)		178,125		182,076	-
Other		308,000	1,954,750	308,000	1,954,750
		<u>722,070</u>	<u>2,003,396</u>	<u>691,118</u>	<u>1,983,588</u>

Movements in Provisions - 2023 year only

(current & non-current)				Leave & Other Provision
Opening Balance				2,674,706
Add Unwinding of present value discounts				
Additional amounts recognised				50,760
(Less) Payments				
Unused amounts reversed				
Add (Less) Remeasurement Adjustments				
Closing Balance				<u>2,725,466</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 8 - RESERVES

ASSET REVALUATION RESERVE	1/7/2022	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2023
Notes	\$	\$	\$	\$
Land	1,909,660			1,909,660
Building & Other Structures	2,245,896			2,245,896
Infrastructure	3,236,072			3,236,072
CWMS	(140,783)			(140,783)
Other Community Assets	210,959			210,959
TOTAL	7,461,804	-	-	7,461,804
Comparatives	7,673,529	-	(211,725)	7,461,804

OTHER RESERVES	1/7/2022	Transfers to Reserve	Transfers from Reserve	30/6/2023
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 2023

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	2023 \$	2022 \$
Total cash & equivalent assets	5	<u>1,807,929</u>	<u>865,458</u>
Balances per Cash Flow Statement		<u>1,807,929</u>	<u>865,458</u>

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

Net Surplus (Deficit)		5,143,015	3,629,557
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		1,533,863	1,401,429
Net increase (decrease) in unpaid employee benefits		61,551	41,657
Grants for capital acquisitions treated as Investing Activity		(4,937,752)	(3,351,035)
Net (Gain) Loss on Disposals		<u>(17,376)</u>	<u>(14,744)</u>
		1,783,301	1,706,864
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		344,211	(982,887)
Net (increase) decrease in inventories		1,131	17,325
Net increase (decrease) in trade & other payables		<u>(1,448,866)</u>	<u>898,409</u>
Net Cash provided by (or used in) operations		<u>679,777</u>	<u>1,639,709</u>

(c) 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 2023

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	2023	2022	2023	2022
	2023	2022	2023	2022	2023	2022	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$				
Administration	5,640,840	3,346,430	2,414,717	1,811,065	3,226,123	1,535,366	1,960,319	1,693,600	4,085,446	3,779,385
Public Order & Safety	14,938	8,862	2,503	1,877	12,435	6,985	-	-	-	-
Health	622,751	369,447	347,549	260,665	275,201	108,782	-	-	-	-
Housing & Community Services	1,751,192	1,038,895	1,613,618	1,210,228	137,574	(171,333)	2,435,520	2,297,273	290,159	268,422
Protection of the Environment	317,466	188,337	71,930	53,948	245,537	134,389	-	-	-	-
Sport Recreation & Culture	71,159	42,215	686,975	515,237	(615,816)	(473,022)	3,427	4,723	-	-
Fuel & Energy	-	-	-	-	-	-	-	-	-	-
Mining & Manufacture	12,239	7,261	6,560	4,920	5,679	2,341	-	-	-	-
Transport & Communication	1,720,667	777,594	2,181,356	1,636,036	(460,688)	(858,442)	5,368,082	2,581,166	47,554,315	43,468,982
Economic Affairs	109,178	64,770	144,185	108,140	(35,007)	(43,370)	-	-	-	-
Other Purposes	37,222	22,082	-	-	37,222	22,082	-	-	-	-
TOTALS	10,297,653	5,865,893	7,469,392	5,602,116	2,828,261	263,778	9,767,348	6,576,762	51,929,921	47,516,790

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 10 (con't) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Council Administration

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

Abattoirs, Caravan Parks, Electricity Supply, Gravel Pits/Quarries, Development of Land for Resale, Marinas/Boat Havens, Markets/Saleyards, Off-street Car Parks – fee paying, Private Works, Property Portfolio, Sewerage/CWMS, Water Supply – Domestic, Town Bus Service, and Other – please specify.

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 & 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 & 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 & Manufacturing

Administration of the Planning, Development & Infrastructure Act.

Transport

Aerodrome, Bridges, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

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 2023

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**

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned

Terms & conditions: Deposits are returning fixed interest rates

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Rates & Associated

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method

Terms & conditions: Secured over the subject land, arrears attract interest of 8% (2022: 8%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying amount: approximates fair value (after deduction of any allowance).

**Receivables - Fees & other
charges**

Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method

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.

Carrying amount: approximates fair value (after deduction of any allowance).

Liabilities - Creditors and Accruals

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.

Terms & conditions: Liabilities are normally settled on 30 day terms.

Carrying amount: approximates fair value.

**Liabilities - Interest Bearing
Borrowings**

Accounting Policy: initially recognised at fair value and subsequently at amortised cost, interest is charged as an expense using the effective interest rate

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% (2022: 2.35% and 6%)

Carrying amount: approximates fair value.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 11 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2023	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<u>Financial Assets</u>					
Cash & Equivalents	1,807,929			1,807,929	1,807,929
Receivables	943,455			943,455	888,898
Other Financial Assets				-	-
Total	2,751,384	-	-	2,751,384	2,696,827
<u>Financial Liabilities</u>					
Payables	291,016			291,016	291,016
Current Borrowings	431,985			431,985	353,388
Non-Current Borrowings		5,504,427	190,698	5,695,125	5,520,864
Total	723,001	5,504,427	190,698	6,418,126	6,165,268
2022	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<u>Financial Assets</u>					
Cash & Equivalents	865,458			865,458	865,458
Receivables	1,329,761	-	-	1,329,761	1,265,999
Total	2,195,219	-	-	2,195,219	2,131,457
<u>Financial Liabilities</u>					
Payables	1,946,716	-	-	1,946,716	1,808,139
Current Borrowings	758,331	-	-	758,331	339,591
Non-Current Borrowings	-	3,977,667	533,098	4,510,766	4,835,134
Total	2,705,047	3,977,667	533,098	7,215,812	6,982,863

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

	30 June 2023		30 June 2022	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	6.05	3,839,118		-
Fixed Interest Rates	4.03	2,035,134	4.03	5,174,724
		<u>5,874,252</u>		<u>5,174,724</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 12 - FINANCIAL INDICATORS

These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

	2023	2022	2021
Operating Surplus Ratio			
<u>Operating Surplus</u>	27.5%	4.5%	8.1%
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>	61%	130%	154%
Total Operating Income			

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

Asset Renewal Funding Ratio

<u>Outlays on Existing Assets</u>	210%	130%	154%
Asset Renewals - IAMP			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of

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. The adjusted ratios below correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison between years.
2. Funding received in relation to reimbursements received from the state government disaster recovery spent on capital renewal have also been removed. The income is treated as operating however the expense is capitalised in the Balance Sheet. This has the effect of overstating the operating result by the amount identified in note 2. Further to this the face value ARFR is distorted.
3. The Net Financial Liabilities Ratio (NFLR) for the 2022-23 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 7. 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 calculations of the NFLR.

If a user of these statements were to assess Council's 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.

Adjusted Operating Surplus Ratio	-1.3%	0.0%	8.6%
Adjusted Net Financial Liabilities Ratio	118%	154%	118%
Asset Renewal Funding Ratio	100%	na	na

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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, adjusted for timing differences associated with prepaid Federal assistance Grants required to be recognised as revenue on receipt in accordance with Australian Accounting Standards.

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.

	2023	2022
	\$	\$
Income		
<i>Rates</i>	1,916,638	1,777,410
<i>Statutory charges</i>	36,936	35,776
<i>User charges</i>	743,793	740,664
<i>Grants, subsidies and contributions - Capital</i>	2,640,373	-
<i>Grants, subsidies and contributions - Operating</i>	4,829,596	3,225,727
<i>Investment income</i>	21,438	2,414
<i>Reimbursements</i>	10,264	3,366
<i>Other income</i>	98,615	80,536
	<u>10,297,653</u>	<u>5,865,893</u>
Expenses		
<i>Employee costs</i>	(1,515,830)	(1,370,119)
<i>Materials, contracts and other expenses</i>	(4,211,492)	(2,646,141)
<i>Depreciation, amortisation and impairment</i>	(1,533,863)	(1,401,429)
<i>Finance costs</i>	(208,208)	(184,428)
	<u>(7,469,392)</u>	<u>(5,602,116)</u>
Operating Surplus / (Deficit)	2,828,261	263,778
<i>Timing adjustment for grant revenue</i>	(470,295)	(375,824)
Adjusted Operating Surplus / (Deficit)	2,357,966	(112,047)
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(4,669,454)	(1,233,395)
Add back Depreciation, Amortisation and Impairment	1,533,863	1,401,429
Proceeds from Sale of Replaced Assets	29,091	179,025
	<u>(3,106,500)</u>	<u>347,058</u>
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(734,222)	(4,552,236)
Amounts received specifically for New and Upgraded Assets	2,297,379	3,351,035
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	-
	<u>1,563,157</u>	<u>(1,201,201)</u>
Annual Net Impact to Financing Activities	<u>814,622</u>	<u>(966,191)</u>

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 14 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to Hostplus (formerly Local Government Superannuation Scheme and Statewide Super). 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 (10.5% in 2022-23; 10% in 2021-22). 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 2021-22) 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 Willis Towers Watson as at 30 June 2023. 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 2023

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.

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 xx 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.

Insert additional explanations for all contingent liabilities and contingent assets.

District Council of Franklin Harbour
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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, xx persons were paid the following total compensation:

	2023	2022
	\$	\$
Salaries, allowances & other short term benefits	501,600	509,054
Post-employment benefits		-
Long term benefits		-
Termination benefits		-
TOTAL	501,600	509,054

Allowances / benefits incurred in the ordinary course of performing the KMPs role, and amounts paid as direct reimbursement of expenses incurred on behalf of Council hve not been included above.

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

	2023	2022
	\$	\$
Contributions for fringe benefits tax purposes		-
Planning and building applications fees	1,443	-
Rentals for Council property		-
TOTAL	1,443	-

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 2023.

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 2023 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, 17 October 2023

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 2022 to 30 June 2023 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 2022 to 30 June 2023.

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 2022 to 30 June 2023. *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, 17 October 2023

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District Council of Franklin Harbour
Annual Financial Statements
for the year ended 30 June 2023
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 2023, the Council's Auditor, Ian 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: 11/10/2023

District Council of Franklin Harbour

Annual Financial Statement

For the year ended 30 June 2023

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 2023, 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*.



Ian G McDonald FCA

Date: 5 September 2023