



Naracoorte Lucindale Council

*Better by Nature*



*Naracoorte Creek*

# *Financial Statements*

*for Year Ending 30 June 2016*

# NARACOORTE LUCINDALE COUNCIL

## General Purpose Financial Reports for the year ended 30 June 2016

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# NARACOORTE LUCINDALE COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

### 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 2016 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.



HELEN MACDONALD  
CHIEF EXECUTIVE OFFICER



ERIKA VICKERY  
MAYOR

Date: 13 September 2016



**NARACOORTE LUCINDALE COUNCIL**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>INCOME</b>			
Rates	2	11,281	11,054
Statutory charges	2	202	176
User charges	2	1,697	2,357
Grants, subsidies and contributions	2	2,785	4,685
Investment income	2	204	249
Reimbursements	2	187	109
Other income	2	248	373
<b>Total Income</b>		<u>16,604</u>	<u>19,003</u>
<b>EXPENSES</b>			
Employee costs	3	4,847	5,242
Materials, contracts & other expenses	3	5,069	5,290
Depreciation, amortisation & impairment	3	5,736	6,114
Finance costs	3	215	235
<b>Total Expenses</b>		<u>15,867</u>	<u>16,881</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>737</b>	<b>2,122</b>
Asset disposal & fair value adjustments	4	(1,104)	(287)
Amounts received specifically for new or upgraded assets	2	1,515	887
<b>NET SURPLUS / (DEFICIT)</b>		<u>1,148</u>	<u>2,722</u>
transferred to Equity Statement			2,722
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	5,788
<b>Total Other Comprehensive Income</b>		<u>-</u>	<u>5,788</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,148</u>	<u>8,510</u>

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

## NARACOORTE LUCINDALE COUNCIL

### STATEMENT OF FINANCIAL POSITION as at 30 June 2016

<b>ASSETS</b>	Notes	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	5	5,318	9,593
Trade & other receivables	5	1,903	946
Inventories	5	1,096	1,034
<b>Total Current Assets</b>		<u><b>8,317</b></u>	<u><b>11,573</b></u>
<b>Non-current Assets</b>			
Financial assets	6	68	42
Infrastructure, property, plant & equipment	7	278,190	275,619
Other non-current assets	6	2,500	1,225
<b>Total Non-current Assets</b>		<u><b>280,758</b></u>	<u><b>276,886</b></u>
<b>Total Assets</b>		<u><b>289,075</b></u>	<u><b>288,459</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	1,770	1,909
Borrowings	8	349	328
Provisions	8	993	1,074
<b>Total Current Liabilities</b>		<u><b>3,112</b></u>	<u><b>3,311</b></u>
<b>Non-current Liabilities</b>			
Borrowings	8	3,009	3,358
Provisions	8	320	304
<b>Total Non-current Liabilities</b>		<u><b>3,329</b></u>	<u><b>3,662</b></u>
<b>Total Liabilities</b>		<u><b>6,441</b></u>	<u><b>6,973</b></u>
<b>NET ASSETS</b>		<u><b>282,634</b></u>	<u><b>281,486</b></u>
<b>EQUITY</b>			
Accumulated Surplus		46,134	44,894
Asset Revaluation Reserves	9	234,727	234,727
Other Reserves	9	1,773	1,865
<b>TOTAL EQUITY</b>		<u><b>282,634</b></u>	<u><b>281,486</b></u>

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

## NARACOORTE LUCINDALE COUNCIL

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
<b>2016</b>					
Balance at end of previous reporting period		44,894	234,727	1,865	281,486
<b>Net Surplus / (Deficit) for Year</b>		1,148	-	-	1,148
<b>Other Comprehensive Income</b>					
Transfers between reserves		92	-	(92)	-
<b>Balance at end of period</b>		<b>46,134</b>	<b>234,727</b>	<b>1,773</b>	<b>282,634</b>
<b>2015</b>					
Balance at end of previous reporting period		42,600	228,939	1,437	272,976
Restated opening balance		42,600	228,939	1,437	272,976
<b>Net Surplus / (Deficit) for Year</b>		2,722	-	-	2,722
<b>Other Comprehensive Income</b>					
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	5,788	-	5,788
Transfers between reserves		(428)	-	428	-
<b>Balance at end of period</b>		<b>44,894</b>	<b>234,727</b>	<b>1,865</b>	<b>281,486</b>

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

# NARACOORTE LUCINDALE COUNCIL

## STATEMENT OF CASH FLOWS for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		11,298	11,062
Fees & other charges		218	176
User charges		1,955	2,335
Investment receipts		217	253
Grants utilised for operating purposes		2,994	4,685
Reimbursements		219	116
Other revenues		1,092	386
<u>Payments</u>			
Employee costs		(5,013)	(5,333)
Materials, contracts & other expenses		(7,430)	(4,717)
Finance payments		(220)	(217)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>5,330</b>	<b>8,746</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		1,515	887
Sale of replaced assets		18	229
Sale of surplus assets		-	127
Repayments of loans by community groups		9	24
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(8,095)	(6,020)
Expenditure on new/upgraded assets		(2,609)	(1,514)
Loans made to community groups		(50)	-
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(9,212)</b>	<b>(6,267)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Payments</u>			
Repayments of borrowings		(328)	(314)
Repayment of aged care facility deposits		(65)	-
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(393)</b>	<b>(314)</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(4,275)</b>	<b>2,165</b>
Cash & cash equivalents at beginning of period	11	<u>9,593</u>	<u>7,428</u>
<b>Cash &amp; cash equivalents at end of period</b>	11	<b><u>5,318</u></b>	<b><u>9,593</u></b>

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

# NARACOORTE LUCINDALE COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

## 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 dated 13 September 2016.

#### **1.2 Historical Cost Convention**

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

#### **1.3 Critical Accounting Estimates**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

#### **1.4 Rounding**

All amounts in the financial statements have been rounded to the nearest thousand (\$'000).

### **2 The Local Government Reporting Entity**

Naracoorte Lucindale Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at DeGaris Place, Naracoorte. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

### **3 Income recognition**

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

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

In June 2015 the Federal Government announced that the payment of untied financial assistance grants would be made early. Approximately 50% of the anticipated grant for 2015-16 was received in June 2015.

The actual amounts of untied grants received during the reporting periods are disclosed in Note 2.

**3.1 Construction Contracts**

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

**4 Cash, Cash Equivalents and other Financial Instruments**

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of change in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

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

**5 Inventories**

Inventories held in respect of stores have been valued on a cost 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.

**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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

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 as follows. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$1,000
Information Technology	\$1,000
Other Plant and Equipment	\$1,000
Buildings New Construction / Extensions	\$10,000
Park & Playground Furniture & Equipment	\$ 2,500
Road Construction and Reconstruction	\$10,000
Paving & Footpaths, Kerb & Gutter	\$10,000
Bridges & Culverts	\$10,000
Spoon Drains	\$ 2,500
Stormwater	\$10,000
Artworks	\$1,000

**6.4 Subsequent Recognition**

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

**6.5 Depreciation of Non-Current Assets**

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Major depreciation periods for each class of asset are shown below. 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 care should be used in interpreting financial information based on these estimates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

Plant, Furniture & Equipment		
	Office Equipment - Computerised	3 to 10 years
	Office Furniture & Equipment	5 to 15 years
	Vehicles and Road-making Equip	5 to 15 years
	Minor Plant & Equipment	3 to 15 years
Building & Other Structures		
	Buildings – masonry	50 to 100 years
	Buildings – other construction	20 to 80 years
	Memorials	40 to 100 years
	Park Structures – other construction	30 years
	Playground equipment	5 to 25 years
	Benches, seats, etc	5 to 15 years
Infrastructure		
	Seal	15 to 20 years
	Pavement – Sealed Road	100 years
	Pavement – Rubble Road	40 to 50 years
	Sub Pavement – Rubble Road	200 years
	Earthworks	indefinite
	Bridges	60 to 100 years
	Paving & Footpaths	30 to 80 years
	Kerb & Watertable	60 to 80 years
	Stormwater Drainage	60 to 100 years
Other Assets		
	Library Books	3 to 20 years
	Artworks	indefinite

**6.6 Impairment**

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. 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).

For 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, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

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 the Asset Revaluation Reserve, any excess being recognised as an expense.

**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".

**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.

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

Weighted average discount rate	1.45% (2015, 2%)
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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.

**9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees predominantly to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the Scheme is reported in Note 18.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

Note 1 - Significant Accounting Policies (cont)

**10 Leases**

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

**11 GST Implications**

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

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

**12 Pending Accounting Standards**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been used in preparing these reports.

- AASB 7 Financial Instruments - Disclosures
- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 124 Related Party Disclosures

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7. (Standards not affecting local government have been excluded from the above list.)

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 Contributions. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

Accounting Standard AASB 16 Leases may have a material effect on the amounts disclosed in these reports, particularly in relation to Infrastructure, Property, Plant & Equipment, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.



# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 2 - INCOME

	Notes	2016 \$'000	2015 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		10,140	9,943
Less: Mandatory rebates		(67)	(63)
Less: Discretionary rebates, remissions & write offs		(48)	(62)
		10,025	9,818
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		192	187
Waste collection		919	916
Community wastewater management systems		90	84
		1,201	1,187
<u>Other Charges</u>			
Penalties for late payment		56	50
		56	50
Less: Discretionary rebates, remissions & write offs		(1)	(1)
		11,281	11,054
<b>STATUTORY CHARGES</b>			
Development Act fees		49	38
Town planning fees		77	70
Health & Septic Tank Inspection fees		6	4
Animal registration fees & fines		51	43
Parking fines / expiation fees		4	5
Other licences, fees, & fines		15	16
		202	176
<b>USER CHARGES</b>			
Cemetery Fees		83	87
Livestock Exchange Fees and Charges		1,364	1,621
Lease and Rental Income		96	79
Transfer Station		-	456
Hall & equipment hire		40	38
Aged Home Maintenance Fees		16	19
Sales - general		98	55
Sundry		-	2
		1,697	2,357
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		173	202
Banks & other		28	45
Loans to community groups		3	2
		204	249

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### NOTE 2 - INCOME (continued)

	Notes	2016 \$'000	2015 \$'000
<b>REIMBURSEMENTS</b>			
- for roadworks		133	-
- for private works		25	75
- other		29	34
		187	109
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		53	156
Rebates received		110	118
Sundry		85	99
		248	373
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		1,515	887
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		1,527	4,106
Roads to Recovery		991	347
Library & Communications		48	49
Sundry		219	183
		2,785	4,685
		4,300	5,572
<i>The functions to which these grants relate are shown in Note 12.</i>			
<b>Sources of grants</b>			
Commonwealth government		1,266	642
State government		3,032	4,930
		4,300	5,572

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### NOTE 2 - INCOME (continued)

	Notes	2016 \$'000	2015 \$'000
<b>Conditions over grants &amp; contributions</b>			
<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>		658	194
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Roads Infrastructure</i>		(658)	-
<i>Heritage &amp; Cultural Services</i>		-	(194)
<i>Subtotal</i>		(658)	(194)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Roads Infrastructure</i>		-	566
<i>Heritage &amp; Cultural Services</i>		-	92
<i>Subtotal</i>		-	658
<i>Unexpended at the close of this reporting period</i>		-	658
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		(658)	464

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 3 - EXPENSES

	Notes	2016 \$'000	2015 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		3,880	4,039
Employee leave expense		854	911
Superannuation - defined contribution plan contributions	18	303	324
Superannuation - defined benefit plan contributions	18	129	126
Workers' Compensation Insurance		241	252
Other		72	74
Less: Capitalised and distributed costs		(632)	(484)
<b>Total Operating Employee Costs</b>		<b>4,847</b>	<b>5,242</b>
 <b>Total Number of Employees</b>		 <b>68</b>	 <b>70</b>
<i>(Full time equivalent at end of reporting period)</i>			
 <b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		19	19
Elected members' expenses		217	197
Election expenses		2	24
Operating Lease Rentals - cancellable leases		20	6
Subtotal - Prescribed Expenses		<b>258</b>	<b>246</b>
 <u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		686	674
Contribution to Economic Development		567	-
Waste Management		1,083	1,448
Street Cleaning		141	128
Insurance		278	286
Quarry - rubble raising & associated expenses		446	447
Subscriptions & Licences		469	247
Energy		592	685
Maintenance		685	797
Legal Expenses		78	13
Levies paid to government - NRM levy		192	186
- Other Levies		148	203
Parts, accessories & consumables		552	478
Professional services		151	196
Sundry		670	582
Less: Capitalised and distributed costs		(1,927)	(1,326)
Subtotal - Other Materials, Contracts & Expenses		<b>4,811</b>	<b>5,044</b>
		<b>5,069</b>	<b>5,290</b>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 3 - EXPENSES (cont)

	Notes	2016 \$'000	2015 \$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures (L2)		11	-
Buildings & Other Structures (L3)		446	449
Transfer Station		37	30
Furniture & Fittings		65	66
Site Improvements		67	47
Minor Plant		17	17
Plant & Equipment		537	626
Library Books		25	22
CWMS		41	38
Stormwater		103	98
Regional Livestock Exchange			
- Building Structures		368	368
- Plant, Equipment & Furniture		28	22
Swimming Lake			
- Building Structures		63	58
- Plant, Equipment & Furniture		3	3
Aerodrome			
- Building Structures		92	92
- Site Improvement		2	2
Infrastructure			
- Bridges & Drainage		117	114
- Roads		3,714	4,046
- Street Furniture		-	9
- Site Improvement		-	7
		<u>5,736</u>	<u>6,114</u>
<b>FINANCE COSTS</b>			
Interest on Loans		<u>215</u>	<u>235</u>
		<u>215</u>	<u>235</u>



# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2016 \$'000	2015 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		18	229
Less: Carrying amount of assets sold		<u>1,122</u>	<u>381</u>
<b>Gain (Loss) on disposal</b>		<u>(1,104)</u>	<u>(152)</u>
 <i>Assets surplus to requirements</i>			
Proceeds from disposal		-	127
Less: Carrying amount of assets sold		<u>-</u>	<u>262</u>
<b>Gain (Loss) on disposal</b>		<u>-</u>	<u>(135)</u>
 <b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		 <u>(1,104)</u>	 <u>(287)</u>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 5 - CURRENT ASSETS

	Notes	2016 \$'000	2015 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		705	1,062
Deposits at Call		3,506	3,452
Short Term Deposits & Bills, etc		<u>1,107</u>	<u>5,079</u>
		<u>5,318</u>	<u>9,593</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		638	644
Accrued Revenues		43	75
Debtors - general		947	198
GST Recoupment		238	16
Prepayments		16	7
Loans to community organisations		<u>21</u>	<u>6</u>
		<u>1,903</u>	<u>946</u>
 <b>INVENTORIES</b>			
Stores & Materials		954	874
Trading Stock - VIC		4	4
Fuel & Lubricants		52	46
General Stores		23	87
Other		<u>63</u>	<u>23</u>
		<u>1,096</u>	<u>1,034</u>

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

# NARACORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 6 - NON-CURRENT ASSETS

<b>FINANCIAL ASSETS</b>	Notes	2016 \$'000	2015 \$'000
Receivables			
Loans to community organisations		<u>68</u>	<u>42</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u>68</u>	<u>42</u>
<b>OTHER NON-CURRENT ASSETS</b>			
Capital Works-in-Progress		<u>2,500</u>	<u>1,225</u>
		<u>2,500</u>	<u>1,225</u>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2015 \$'000					2016 \$'000				
	Fair Value Level	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	
Land (L2)	2	3,354	-	-	3,354	3,354	-	-	3,354	
Land (L3)	3	8,971	-	-	8,971	8,971	-	-	8,971	
Buildings & Other Structures (L2)	2	285	-	-	285	285	(11)	-	274	
Buildings & Other Structures (L3)	3	24,688	-	(12,163)	12,525	24,577	138	(12,498)	12,217	
Transfer Station	3	1,183	-	(162)	1,021	1,468	-	(224)	1,244	
Furniture & Fittings		-	730	(455)	275	-	738	(488)	250	
Site Improvements		-	1,611	(538)	1,073	-	2,174	(713)	1,461	
Minor Plant		-	352	(267)	85	-	358	(282)	76	
Plant & Equipment		-	7,332	(3,424)	3,908	-	7,342	(3,938)	3,404	
Library Books		-	715	(533)	182	-	714	(532)	182	
CWMS	3	2,638	65	(1,044)	1,659	2,638	65	(1,085)	1,618	
Stormwater	3	8,961	1,053	(5,504)	4,510	7,635	3,657	(4,754)	6,538	
Regional Livestock Exchange		-	-	(4,301)	8,436	12,737	-	(4,669)	8,068	
- Building Structures		-	301	(166)	135	-	336	(188)	148	
- Plant, Equipment & Furniture		-	-	-	-	-	-	-	-	
Swimming Lake		-	-	-	-	-	-	-	-	
- Building Structures	3	3,224	-	(1,689)	1,535	3,147	159	(1,701)	1,605	
- Plant, Equipment & Furniture		-	39	(20)	19	-	39	(23)	16	
Aerodrome		-	-	-	-	-	-	-	-	
- Building Structures	3	2,488	-	(690)	1,798	2,488	-	(782)	1,706	
- Site Improvement		-	56	(22)	34	-	56	(24)	32	
Infrastructure		-	-	-	-	-	-	-	-	
- Bridges & Drainage	3	8,840	794	(4,862)	4,772	8,832	1,018	(4,973)	4,877	
- Roads	3	274,385	14,852	(68,543)	220,694	272,056	20,633	(70,540)	222,149	
- Street Furniture		12	184	(108)	88	-	-	-	-	
- Site Improvement		-	284	(24)	260	-	-	-	-	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>351,766</b>	<b>28,368</b>	<b>(104,515)</b>	<b>275,619</b>	<b>348,188</b>	<b>37,427</b>	<b>(107,425)</b>	<b>278,190</b>	
<b>Comparatives</b>		<b>338,068</b>	<b>30,429</b>	<b>(99,110)</b>	<b>269,387</b>	<b>351,766</b>	<b>28,368</b>	<b>(104,515)</b>	<b>275,619</b>	

This Note continues on the following pages.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000										2016 \$'000 CARRYING AMOUNT
	2015 \$'000 CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation		
		New/Upgrade	Renewals				In	Out			
Land (L2)	3,354	-	-	-	-	-	-	-	-	-	3,354
Land (L3)	8,971	-	-	-	-	-	-	-	-	-	8,971
Buildings & Other Structures (L2)	285	-	-	-	(11)	-	-	-	-	-	274
Buildings & Other Structures (L3)	12,525	26	112	-	(446)	-	-	-	-	-	12,217
Transfer Station	1,021	-	-	-	(37)	-	260	-	-	-	1,244
Furniture & Fittings	275	19	21	-	(65)	-	-	-	-	-	250
Site Improvements	1,073	367	-	-	(67)	-	88	-	-	-	1,461
Minor Plant	85	11	1	-	(17)	-	-	-	-	-	76
Plant & Equipment	3,908	39	-	-	(537)	-	-	-	-	-	3,404
Library Books	182	-	25	-	(25)	-	-	-	-	-	182
CWMS	1,659	-	-	-	(41)	-	-	-	-	-	1,618
Stormwater	4,510	639	1,965	-	(103)	-	-	-	-	-	6,538
Regional Livestock Exchange	-	-	-	-	-	-	-	-	-	-	-
- Building Structures	8,436	-	-	-	(368)	-	-	-	-	-	8,068
- Plant, Equipment & Furniture	135	29	12	-	(28)	-	-	-	-	-	148
Swimming Lake	-	-	-	-	-	-	-	-	-	-	-
- Building Structures	1,535	50	109	-	(63)	-	-	-	-	-	1,605
- Plant, Equipment & Furniture	19	-	-	-	(3)	-	-	-	-	-	16
Aerodrome	-	-	-	-	-	-	-	-	-	-	-
- Building Structures	1,798	-	-	-	(92)	-	-	-	-	-	1,706
- Site Improvement	34	-	-	-	(2)	-	-	-	-	-	32
Infrastructure	-	-	-	-	-	-	-	-	-	-	-
- Bridges & Drainage	4,772	48	175	-	(117)	-	-	-	-	-	4,877
- Roads	220,694	1,381	4,400	-	(3,714)	-	-	-	-	-	222,149
- Street Furniture	88	-	-	-	-	-	-	-	-	-	-
- Site Improvement	260	-	-	-	-	-	-	-	-	(260)	-
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>275,619</b>	<b>2,609</b>	<b>6,820</b>	<b>(1,122)</b>	<b>(5,736)</b>	<b>-</b>	<b>348</b>	<b>(348)</b>	<b>-</b>	<b>5,788</b>	<b>278,190</b>
<b>Comparatives</b>	<b>269,387</b>	<b>1,514</b>	<b>5,688</b>	<b>(644)</b>	<b>(6,114)</b>	<b>-</b>	<b>846</b>	<b>(846)</b>	<b>-</b>	<b>5,788</b>	<b>275,619</b>

*This Note continues on the following pages.*



# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

##### **General Valuation Principles**

*Accounting procedure:* Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

*Highest and best use:* For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

*Fair value hierarchy level 2 valuations:* Certain land, and the buildings and structures thereon, have been classified as hierarchy level 2. When they are revalued their fair value will be 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 active 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.

#### **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, are recognised on the fair value basis. These assets were revalued for the year ending 30 June 2015 by Mr Nick Franks, BSc. MRICS AAPI, Certified Practising Valuer of AssetVal Pty Ltd at market value. Additions since the date of revaluation are recorded at cost. No capitalisation threshold is applied to the acquisition of land or interests in land.

## Naracoorte Lucindale Council

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 7 – Property, Plant & Equipment (cont)

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the fair value basis, originally deriving from a valuation for the year ending 30 June 2011 by Ms Kate Tynan, B. Bus Property (Valuation) AAPI, Certified Practising Valuer of Maloney Field Services at current replacement cost. Additions since the date of revaluation are recorded at cost.

#### **Buildings & Other Structures**

Buildings and Other Structures incorporate *Buildings & Other Structures, Transfer Station, Regional Livestock Exchange, Swimming Lake and Aerodrome*.

Regional Livestock Exchange, Swimming Lake & Aerodrome include assets which are valued at Fair Value and on a cost basis.

Buildings and other structures which are valued at Fair Value were revalued for the year ending 30 June 2015 Mr Nick Franks, BSc. MRICS AAPI, Certified Practising Valuer of AssetVal Pty Ltd. Additions are recognised at cost.

#### **Infrastructure**

Transportation assets were valued at written down current replacement cost during the reporting period ended 30 June 2011. All acquisitions made after the respective dates of valuation are recorded at cost.

Drainage & Bridges infrastructure was valued for the year ending 30 June 2011 at written down current replacement cost, based on actual costs incurred during the reporting period. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure was valued at written down current replacement cost during the reporting period ended 30 June 2011. All acquisitions made after the respective dates of valuation are recorded at cost.

#### **Plant, Furniture & Equipment**

Pursuant to Council's election, these assets are recognised on the cost basis.

#### **All other assets**

Pursuant to Council's election, these assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk.

#### **Capitalisation Thresholds and Estimated Useful Lives**

Refer to Note 1 for details in relation to capital thresholds and estimated useful lives.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 8 - LIABILITIES

	Notes	2016 \$'000		2015 \$'000	
		Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		874	-	991	-
Payments received in advance		215	-	204	-
Accrued expenses - employee entitlements		80	-	179	-
Accrued expenses - other		77	-	97	-
Aged Care Facility Deposits		356	-	421	-
Deposits, Retentions & Bonds		150	-	-	-
Other		18	-	17	-
		<u>1,770</u>	<u>-</u>	<u>1,909</u>	<u>-</u>

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

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#### **BORROWINGS**

Loans		<u>349</u>	<u>3,009</u>	<u>328</u>	<u>3,358</u>
		<u>349</u>	<u>3,009</u>	<u>328</u>	<u>3,358</u>

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

#### **PROVISIONS**

Employee entitlements (including oncosts)		963	241	1,037	237
Landfill Provision		30	79	37	67
		<u>993</u>	<u>320</u>	<u>1,074</u>	<u>304</u>

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

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# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2015	Net Increments (Decrements)	Transfers, Impairments	30/6/2016
Notes	\$'000	\$'000	\$'000	\$'000
Land	7,491	-	-	7,491
Buildings & Other Structures	9,181	-	-	9,181
Infrastructure	216,958	-	-	216,958
Other Community Assets	1,097	-	-	1,097
<b>TOTAL</b>	<b>234,727</b>			<b>234,727</b>
<i>Comparatives</i>	<u>228,939</u>	-	-	<u>234,727</u>

OTHER RESERVES	1/7/2015	Transfers to Reserve	Transfers from Reserve	30/6/2016
Community & Heritage Chest	17	19	-	36
Development	307	27	57	277
Grants Committed	653	-	653	0
IT Upgrade	131	-	29	102
Lake Ormerod	2	-	-	2
Lucindale Aged Care Facility	5	-	-	5
Lucindale Health Centre	12	4	-	16
Lucindale Library	16	-	-	16
Open Space	25	-	-	25
Plant & Machinery	437	576	-	1,013
Harry Tregoweth Retirement Village	11	-	11	0
Livestock Exchange (NRLE)	76	-	39	37
CWMS	168	71	-	239
Volunteers	5	5	5	5
<b>TOTAL OTHER RESERVES</b>	<b>1,865</b>	<b>702</b>	<b>(794)</b>	<b>1,773</b>
<i>Comparatives</i>	<u>1,437</u>	<u>832</u>	<u>(404)</u>	<u>1,865</u>

#### **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).

##### **Community & Heritage Chest Reserve**

The Community & Heritage Chest Reserve acknowledges community grants given by Council but not claimed by Community Groups as at 30 June 2015.

##### **Development Reserve**

Reserve to allow for future development in the Council district. May be used to assist community groups and sporting bodies with expansion that has a proven community benefit.

##### **Grants Committed Reserve**

Reserve to recognise grants received, but not expended.

##### **IT Upgrade Reserve**

Provision for the upgrade of IT requirements. Includes unexpended capital budget.

##### **Lake Ormerod Reserve**

Account for funds held on behalf of Lake Ormerod Community Group.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 9 - RESERVES

**Lucindale Aged Care Facility Reserve**

Donation May 2005 from National Rally of Caravan Clubs for Aged Care Accommodation to be established in Lucindale.

**Lucindale Health Centre Reserve**

Funds set aside for future maintenance of the Lucindale Health Centre.

**Lucindale Library Reserve**

Lucindale Community Library. Commitment at amalgamation.

**Open Space Reserve**

Developers Contribution towards open space reserves.

**Plant & Machinery Reserve**

Provision for future plant replacement.

**Harry Tregoweth Retirement Village (Lucindale) Reserve**

Balance of monthly rent, retained capital and expenditure held for future maintenance.

**Livestock Exchange Reserve (NRLE)**

Provision for future capital requirements of the Naracoorte Regional Livestock Exchange.

**CWMS Reserve**

Balance of fees collected from Lucindale CWMS Scheme held for future maintenance.

**Volunteers Reserve**

Government Grant - general operations.



# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 10 - ASSETS SUBJECT TO RESTRICTIONS

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

		2016	2015
CASH & FINANCIAL ASSETS	Notes	\$'000	\$'000
Open Space		25	25
Community Waste Management Scheme (CWMS)		239	168
Volunteers Grant		5	5
Committed Grants		12	653
		<u>281</u>	<u>851</u>

#### Open Space

Cash contributions received from developers in lieu of the provision of open space as part of a land division proposal. It is a condition of the contribution that the funds are spent either directly on the provision of open space or recreation (eg. playground) or the planning for such infrastructure.

#### CWMS

Balance of expenditure and income in relation to Council's CWMS Scheme. Required by legislation to be preserved for expenditure in relation to future upgrades and/or maintenance of the Scheme.

#### Volunteers Grants

Federal funding towards the provision of a volunteer training program.

#### Committed Grants

Grant to provide Adult Community Education.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 11 - 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	2016 \$'000	2015 \$'000
Total cash & equivalent assets	5	<u>5,318</u>	<u>9,593</u>
Balances per Cash Flow Statement		<u>5,318</u>	<u>9,593</u>

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

Net Surplus (Deficit)	1,148	2,722
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	5,736	6,114
Net increase (decrease) in unpaid employee benefits	(169)	(36)
Grants for capital acquisitions treated as Investing Activity	(1,515)	(887)
Net (Gain) Loss on Disposals	<u>1,104</u>	<u>287</u>
	6,304	8,200
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(942)	2
Net (increase) decrease in inventories	(62)	-
Net increase (decrease) in trade & other payables	25	538
Net increase (decrease) in Landfill liability	<u>5</u>	<u>6</u>
<b>Net Cash provided by (or used in) operations</b>	<u>5,330</u>	<u>8,746</u>

**(c) Financing Arrangements**

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

Corporate Credit Cards	8	8
LGFA Cash Advance Debenture facility	3,000	3,000

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

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 12 - 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	2016	2015	2016	2015
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	\$'000	\$'000	\$'000	\$'000
Administration	11,560	13,980	3,419	3,254	8,141	10,726	1,055	3,733	8,085	12,225
Community Services	238	254	982	927	(744)	(673)	67	67	7,958	7,802
Environment	930	1,383	1,570	2,112	(640)	(729)	-	-	8,810	6,566
Culture	59	56	467	444	(408)	(388)	51	49	1,730	1,753
Recreation	5	4	926	873	(921)	(869)	-	-	8,512	8,154
Regulatory Services	191	165	339	314	(148)	(149)	-	-	1	1
Transport & Communication	1,490	862	5,649	6,686	(4,159)	(5,824)	1,463	836	234,810	232,387
Economic Development	332	49	989	308	(657)	(259)	149	-	475	477
Business Undertakings	1,481	1,780	1,476	1,480	5	300	-	-	12,292	12,159
Plant Machinery & Depot	61	56	-	290	61	(234)	-	-	5,105	5,656
Unclassified	257	414	50	193	207	221	-	-	1,297	1,279
<b>TOTALS</b>	<b>16,604</b>	<b>19,003</b>	<b>15,867</b>	<b>16,881</b>	<b>737</b>	<b>2,122</b>	<b>2,785</b>	<b>4,685</b>	<b>289,075</b>	<b>288,459</b>

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

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **Administration**

Administration, Governance, Elected Members, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates, Records, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose, General Rates and NRM Levy.

#### **Community Services**

Fire Prevention, Immunisation & Other Preventative Health, Community Support, Volunteer Management, Halls, Harry Tregoweth Retirement Village, Seniors and Youth Support, Cemeteries, Effluent (not CWMS) and Public Conveniences.

#### **Environment**

Waste Management, Stormwater, Street Cleaning and Street Lighting.

#### **Culture**

Library, Heritage, Art Gallery and Lucindale Historical Museum

#### **Recreation**

Parks & Gardens, Sporting Grounds & Facilities, Playgrounds, Swimming Lake

#### **Regulatory**

Urban and rural development, including building and planning. Dog Control, Livestock Control, Parking Control, Health Inspections, Septic Tank Approvals and General Inspectorial Responsibilities.

#### **Transport**

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

#### **Economic Affairs**

Land Development, Plantations, Visitor Information Centre and Events.

#### **Business Undertakings**

Naracoorte Regional Livestock Exchange, Community Waste Management Scheme (CWMS), Rental Property, Private Works and Quarries.

#### **Plant, Machinery & Depots**

Depot, fleet and plant operations

#### **Unclassified**

Debt, Other Property & Services, Other and Vandalism.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 13 - FINANCIAL INSTRUMENTS

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

#### Accounting Policies - Recognised Financial Instruments

<p><b>Bank, Deposits at Call, Short Term Deposits</b></p>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 1.75% and 3.5% (2015: 2% and 3.6%). Short term deposits have an average interest rates of 1.96% (2015: 2.36%).</p> <p><b>Carrying amount:</b> Approximates fair value due to the short term to maturity.</p>
<p><b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b> Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 0.6% (2015: 0.65%) 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><b>Carrying amount:</b> Approximates fair value (after deduction of any allowance).</p>
<p><b>Receivables - Fees &amp; other charges</b></p>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> 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><b>Carrying amount:</b> Approximates fair value (after deduction of any allowance).</p>
<p><b>Liabilities - Creditors and Accruals</b></p>	<p><b>Accounting Policy:</b> 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><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> Approximates fair value.</p>
<p><b>Liabilities - Retirement Home Contributions</b></p>	<p><b>Accounting Policy:</b> Amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.</p> <p><b>Carrying amount:</b> Approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
<p><b>Liabilities - Interest Bearing Borrowings</b></p>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable bi-annually; interest is charged at fixed rates between 5.3% and 7.95% (2015: 5.3% and 7.95%)</p> <p><b>Carrying amount:</b> approximates fair value.</p>

## NARACOORTE LUCINDALE COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 13 (cont) - FINANCIAL INSTRUMENTS

##### Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	5,318			5,318	5,318
Receivables	1,228	-	-	1,228	1,228
Community Loans	21	62	6	89	89
<b>Total</b>	<b>6,567</b>	<b>62</b>	<b>6</b>	<b>6,635</b>	<b>6,635</b>
<b>Financial Liabilities</b>					
Payables	1,199	356	-	1,555	1,555
Current Borrowings	549	-	-	549	349
Non-Current Borrowings	-	2,195	1,591	3,786	3,009
<b>Total</b>	<b>1,748</b>	<b>2,551</b>	<b>1,591</b>	<b>5,890</b>	<b>4,913</b>
2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	9,593			9,593	9,593
Receivables	297	-	-	297	297
Community Loans	6	28	14	48	48
<b>Total</b>	<b>9,896</b>	<b>28</b>	<b>14</b>	<b>9,938</b>	<b>9,938</b>
<b>Financial Liabilities</b>					
Payables	1,349	356	-	1,705	1,705
Current Borrowings	549	-	-	549	328
Non-Current Borrowings	-	2,195	2,148	4,343	3,358
<b>Total</b>	<b>1,898</b>	<b>2,551</b>	<b>2,148</b>	<b>6,597</b>	<b>5,391</b>

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Cash Advance Facility	4.21	-	4.61	-
Fixed Interest Rates	6.1	3,358	6.12	3,686
		<u>3,358</u>		<u>3,686</u>

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

#### Risk Exposures

**Credit Risk** represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

**Liquidity Risk** is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of 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.



# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 14 - COMMITMENTS FOR EXPENDITURE

	<u>Notes</u>	2016 \$'000	2015 \$'000
<b>Capital Commitments</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		68	130
Infrastructure		<u>106</u>	<u>2,486</u>
		<u>174</u>	<u>2,616</u>
These expenditures are payable:			
Not later than one year		<u>174</u>	<u>2,616</u>
		<u>174</u>	<u>2,616</u>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 15 - FINANCIAL INDICATORS

2016            2015            2014

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

The Information Paper was revised in May 2015 and the financial indicators for previous years have been re-calculated in accordance with the revised formulas.

**Operating Surplus Ratio**

<u>Operating Surplus</u>	4%	11%	3%
Total Operating Revenue			

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

**Adjusted Operating Surplus Ratio**

13%            4%            3%

*In recent years the Federal Government has made advance payments prior to 30 June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

**Net Financial Liabilities Ratio**

<u>Net Financial Liabilities</u>	-5%	-19%	-10%
Total Operating Revenue			

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

**Asset Sustainability Ratio**

<u>Net Asset Renewals</u>	141%	95%	61%
Infrastructure & Asset Management Plan required expenditure			

*Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.*

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 16 - 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

	2016 \$'000	2015 \$'000
Income	16,604	19,003
less Expenses	<u>15,867</u>	<u>16,881</u>
<b>Operating Surplus / (Deficit)</b>	<b>737</b>	<b>2,122</b>
 <i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on renewal and replacement of Existing Assets	8,095	6,020
Depreciation, Amortisation and Impairment	(5,736)	(6,114)
Proceeds from Sale of Replaced Assets	<u>(18)</u>	<u>(229)</u>
	<b>2,341</b>	<b>(323)</b>
 <i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property &amp; real estate developments)</i>	2,609	1,514
Amounts received specifically for New and Upgraded Assets	(1,515)	(887)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	(127)
	<u>1,094</u>	<u>500</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>(2,698)</u></b>	<b><u>1,945</u></b>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 17 - OPERATING LEASES

#### *Leases providing revenue to the Council*

Council owns various buildings, plant and other facilities that are available for hire or lease in accordance with the published fees and charges guide. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

#### *Lease payment commitments of Council*

Council has entered into an operating lease for a photocopier and for information technology equipment.

The leases permit Council, at expiry, to elect to re-lease, return or acquire the equipment leased.

Commitments under operating leases that have not been recognised in the financial statements are as follows:

	2016 \$'000	2015 \$'000
Not later than one year	20	20
Later than one year and not later than 5 years	<u>18</u>	<u>40</u>
	<u>38</u>	<u>60</u>

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 18 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). The Scheme has 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 employee ordinary time earnings in accordance with superannuation guarantee legislation (2016: 9.5%; 2015: 9.5%). 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 Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (2015: 6.3%) 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, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. 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.

# NARACOORTE LUCINDALE COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 19 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to users 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.

**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.

Potential claims not reported to Council may have existed at reporting date.

**3. BANK GUARANTEES**

Council has previously guaranteed certain loans advanced to community organisations and sporting bodies. These loans were paid in full at reporting date (2015: \$0).

**4. LEGAL EXPENSES**

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council has not been notified of any appeals against planning decisions made prior to the reporting date.

**5. RATEPAYER LOANS**

Council has extended loans to individual ratepayers relating to the installation of sewer extension schemes and community groups for upgrade to facilities. The amount outstanding at reporting date is \$89,401 (2015: \$48,553).

Council does not expect to incur any loss arising from these loans.

**6. "CARBON" TAX**

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commences operation. Council has garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2013. No liability has been recognised in these reports.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE NARACOORTE LUCINDALE COUNCIL**

We have audited the accompanying financial report of the Naracoorte Lucindale Council, which comprises the Statement of Comprehensive Income for the year ended 30 June 2016, the Statement of Financial Position as at 30 June 2016, the Statement of Changes in Equity for the year ended 30 June 2016, the Statement of Cash Flows for the year ended 30 June 2016, a summary of significant accounting policies and other explanatory notes and the Certification of Financial Statements statement.

### **The Responsibility of the Chief Executive Officer for the Financial Report**

The Chief Executive Officer of the Naracoorte Lucindale 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 Local Government (Financial Management) Regulations 2011. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, 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 an audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 and the Australian professional ethical pronouncements.

### **Auditor's Opinion**

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Naracoorte Lucindale Council as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and the Australian Accounting Standards (including Australian Accounting Interpretations).

**DEAN NEWBERY & PARTNERS**  
**CHARTERED ACCOUNTANTS**



**SAMANTHA ALLARD**  
**PARTNER**

Signed on the 16<sup>th</sup> day of September 2016,  
at 214 Melbourne Street, North Adelaide, South Australia 5006.



## INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE NARACOORTE LUCINDALE COUNCIL

We have audited the Internal Controls of the Naracoorte Lucindale Council (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 2015 to 30 June 2016 have been conducted properly and in accordance with law.

### The Council's Responsibility for the Internal Controls

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. 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 2015 to 30 June 2016. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assessed risks.

### Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

### 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 opinion expressed in this report has been formed on the above basis.

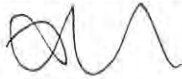
### Independence

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

**Opinion**

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2015 to 30 June 2016.

**DEAN NEWBERY & PARTNERS  
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'S. Allard', with a stylized flourish at the end.

**SAMANTHA ALLARD  
PARTNER**

Signed on the 16<sup>th</sup> day of September 2016  
at 214 Melbourne Street, North Adelaide, South Australia, 5006

## **Certification of Auditor's Independence**

I confirm that, for the audit of the financial statements of Naracoorte Lucindale Council for the year ended 30 June 2016, 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 ALLARD**

**Partner**

**DEAN NEWBERY & PARTNERS**  
**CHARTERED ACCOUNTANTS**

**Dated this 16<sup>th</sup> day of September 2016**



# NARACOORTE LUCINDALE COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

### CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the Naracoorte Lucindale Council for the year ended 30 June 2016, the Council's Auditor, Dean Newbery & Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



.....  
HELEN MACDONALD  
CHIEF EXECUTIVE OFFICER



.....  
JIM KER  
PRESIDING MEMBER  
AUDIT COMMITTEE

Date: **13 September 2016**