



Naracoorte Lucindale Council
Better by Nature

Financial Statements

for Year Ending 30 June 2022



The Best place in regional South Australia to live, work, do business, raise a family and retire. Created by having a Prosperous Community with Healthy Landscapes, Liveable Neighbourhoods and a focus on Harmony and Culture.



Naracoorte Lucindale Council
General Purpose Financial Reports
for the year ended 30 June 2022

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**Naracoorte Lucindale Council
Annual Financial Statements
for the year ended 30 June 2022**

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 2022 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.


.....
Trevor Smart
CHIEF EXECUTIVE OFFICER
Date: 23 November 2022


.....
Patrick Ross
MAYOR

Naracoorte Lucindale Council
Statement of Comprehensive Income
for the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
INCOME			
Rates	2	12,675	12,464
Statutory charges	2	330	369
User charges	2	2,203	2,333
Grants, subsidies and contributions	2	4,955	4,196
Investment income	2	55	77
Reimbursements	2	39	50
Other income	2	234	375
Total Income		20,491	19,864
EXPENSES			
Employee costs	3	5,107	5,079
Materials, contracts & other expenses	3	6,643	6,378
Depreciation, amortisation & impairment	3	5,921	5,785
Finance costs	3	57	94
Total Expenses		17,728	17,336
OPERATING SURPLUS / (DEFICIT)		2,763	2,528
Asset disposal & fair value adjustments	4	(1,009)	(1,273)
Amounts received specifically for new or upgraded assets	2	769	697
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		2,523	1,952
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	2,983	14,380
Total Other Comprehensive Income		2,983	14,380
TOTAL COMPREHENSIVE INCOME		5,506	16,332

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

Naracoorte Lucindale Council
Statement of Financial Position
as at 30 June 2022

ASSETS	Notes	2022	2021
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	5	11,910	10,524
Trade & other receivables	5	1,062	893
Inventories	5	656	594
		<u>13,628</u>	<u>12,011</u>
Total Current Assets		<u>13,628</u>	<u>12,011</u>
Non-current Assets			
Financial assets	6	175	267
Infrastructure, property, plant & equipment	7	201,594	197,846
Other non-current assets	6	714	554
		<u>202,483</u>	<u>198,667</u>
Total Non-current Assets		<u>202,483</u>	<u>198,667</u>
Total Assets		<u>216,111</u>	<u>210,678</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	2,246	1,691
Borrowings	8	151	493
Provisions	8	826	1,048
		<u>3,223</u>	<u>3,232</u>
Total Current Liabilities		<u>3,223</u>	<u>3,232</u>
Non-current Liabilities			
Borrowings	8	773	924
Provisions	8	251	164
		<u>1,024</u>	<u>1,088</u>
Total Non-current Liabilities		<u>1,024</u>	<u>1,088</u>
Total Liabilities		<u>4,247</u>	<u>4,320</u>
NET ASSETS		<u>211,864</u>	<u>206,358</u>
EQUITY			
Accumulated Surplus		53,308	51,333
Asset Revaluation Reserves	9	155,218	152,235
Other Reserves	9	3,338	2,790
TOTAL EQUITY		<u>211,864</u>	<u>206,358</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 2022

	2022	Notes	Acc'd Surplus \$'000	Asset Rev'n Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period			51,333	152,235	2,790	206,358
Net Surplus / (Deficit) for Year			2,523	-	-	2,523
Other Comprehensive Income						
Gain on revaluation of infrastructure, property, plant & equipment			-	2,983	-	2,983
Transfers between reserves			(548)	-	548	-
Balance at end of period		9	53,308	155,218	3,338	211,864

	2021	Notes	Acc'd Surplus \$'000	Asset Rev'n Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period			49,603	137,855	2,568	190,026
Net Surplus / (Deficit) for Year			1,952	-	-	1,952
Other Comprehensive Income						
Changes in revaluation surplus - infrastructure, property, plant & equipment			-	14,380	-	14,380
Transfers between reserves			(222)	-	222	-
Balance at end of period		9	51,333	152,235	2,790	206,358

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 2022

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		12,479	12,653
Fees & other charges		336	370
User charges		2,775	2,535
Investment receipts		15	79
Grants utilised for operating purposes		4,969	4,197
Reimbursements		60	43
Other revenues		1,217	1,083
<i>Payments:</i>			
Employee costs		(5,228)	(5,193)
Materials, contracts & other expenses		(7,868)	(7,371)
Finance payments		(70)	(103)
Net Cash provided by (or used in) Operating Activities		8,685	8,293
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		769	697
Sale of replaced assets		248	336
Repayments of loans by community groups		96	79
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(5,984)	(4,186)
Expenditure on new/upgraded assets		(2,264)	(1,390)
Net Cash provided by (or used in) Investing Activities		(7,135)	(4,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
Proceeds from aged care facility deposits		329	-
<i>Payments:</i>			
Repayments of borrowings		(449)	(449)
Repayment of principal portion of lease liabilities		(44)	(59)
Repayment of aged care facility deposits		-	(66)
Net Cash provided by (or used in) Financing Activities		(164)	(574)
Net Increase (Decrease) in cash held		1,386	3,255
Cash & cash equivalents at beginning of period	11	10,524	7,269
Cash & cash equivalents at end of period	11	11,910	10,524

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 2022

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 22 November 2022.

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 dollars (\$'000).

1.5 Covid-19

The COVID-19 pandemic has impacted the 2021/22 financial statements. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

Examples include; additional leave paid to employees due to short notice shutdowns and the delay on completion of projects due to cross border closures and delays associated with sourcing materials.

COVID-19 is not expected to have a significant financial impact on Council operations. The budget assumptions for 2022/23 assume a continued easing of restrictions put in place by the government. Council has determined that there is no material uncertainty that casts doubt on Council's ability to continue as a going concern.

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 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.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies (cont)

3 Income recognition

3.1 Revenue

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer

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

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

	Cash Payment Received	Annual Allocation		Difference
2019-20	\$3,063,349	\$3,438,421	+/-	- \$375,072
2020-21	\$3,435,913	\$3,229,581	+/-	+ \$206,332
2021-22	\$4,166,048	\$3,256,802	+/-	+ \$909,246

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

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

3.2 Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

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

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies (cont)

4 Cash, Cash Equivalents and Other Financial Instruments

4.1 Cash, Cash Equivalent Assets

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

4.2 Other Financial Instruments

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

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

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

5 Inventories

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

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

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

6.2 Materiality

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

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies (cont)

6.4 Depreciation of Non-Current Assets

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

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

Major depreciation periods for each class of asset are shown in Note 7. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

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

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

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

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.

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies (cont)

9 Provisions

9.1 Employee Benefits

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

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

Weighted average discount rate 1.00% (2021, 0.26%)

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

Superannuation:

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

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.

10 Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a lessee:

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 1 - Significant Accounting Policies

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- IT Equipment 3 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 6.5 - Impairment of non-financial assets above.

ii) Lease liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis 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 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 2021. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 16 Covid-19 Related Rent Concessions:

In 2020, the AASB issued AASB 2020-4, Amendments to AASs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 2021 the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the consolidated financial statements of the Council.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2 - INCOME

	Notes	2022	2021
		\$'000	\$'000
RATES REVENUES			
<u>General Rates</u>		10,892	10,798
Less: Mandatory rebates		(150)	(152)
Less: Discretionary rebates, remissions & write offs		(30)	(36)
		10,712	10,610
<u>Other Rates (including service charges)</u>			
Landscape levy		658	647
Waste collection		1,154	1,061
Community wastewater management systems		99	98
		1,911	1,806
<u>Other Charges</u>			
Penalties for late payment		42	44
Legal & other costs recovered		11	17
		53	61
Less: Discretionary rebates, remissions & write offs		(1)	(13)
		12,675	12,464
STATUTORY CHARGES			
Development Act fees		106	120
Town planning fees		47	79
Health & Septic Tank Inspection fees		87	75
Animal registration fees & fines		62	63
Parking fines / expiation fees		1	2
Environment control fines		2	3
Other licences, fees, & fines		25	27
		330	369
USER CHARGES			
Cemetery Fees		80	89
Livestock Exchange Fees and Charges		1,888	1,819
Lease, Permits and Rental Income		98	98
Hall & Equipment Hire		39	16
Sales - General		88	301
Sundry		10	10
		2,203	2,333

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 2 - INCOME (cont)

	Notes	2022 \$'000	2021 \$'000
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		47	49
Banks & other		1	19
Loans to community groups		7	9
		<u>55</u>	<u>77</u>
REIMBURSEMENTS			
Private works		7	10
Other		32	40
		<u>39</u>	<u>50</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		158	204
Rebates received		56	52
Sundry		20	119
		<u>234</u>	<u>375</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		769	697
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		4,166	3,436
Roads to Recovery		492	492
Library & Communications		53	56
Sundry		244	212
		<u>4,955</u>	<u>4,196</u>
		<u>5,724</u>	<u>4,893</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		1,055	847
State government		4,669	3,996
Other		-	50
		<u>5,724</u>	<u>4,893</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3 - EXPENSE

	Notes	2022 \$'000	2021 \$'000
EMPLOYEE COSTS			
Salaries and Wages		4,137	4,161
Employee leave expense		808	882
Superannuation - defined contribution plan contributions	18	388	338
Superannuation - defined benefit plan contributions	18	71	91
Workers' Compensation Insurance		179	172
Other		81	80
Less: Capitalised and distributed costs		(557)	(645)
Total Operating Employee Costs		5,107	5,079
Total Number of Employees		58	64
<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		26	22
Elected members' expenses		246	236
Election expenses		7	2
Lease Expenses - low value assets	17	2	13
Subtotal - Prescribed Expenses		281	273
<u>Other Materials, Contracts & Expenses</u>			
Contractors		1,110	928
Energy		665	545
Waste Management		1,268	1,210
Street Cleaning		171	150
Insurance		157	271
Quarry - Rubble Raising & Associated Costs		613	514
Subscriptions & Licences		417	324
Maintenance		1,110	928
Legal Expenses		28	40
Levies paid to government - Regional Landscape Levy		641	652
- Other Levies		174	172
Parts, Accessories & Consumables		682	516
Professional Services		242	500
Sundry		653	530
Less: Capitalised and Distributed Costs		(1,569)	(1,175)
Subtotal - Other Materials, Contracts & Expenses		6,362	6,105
		6,643	6,378

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 3 - EXPENSE (cont)

	Notes	2022 \$'000	2021 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures (L2)		65	65
Buildings & Other Structures (L3)		388	366
Transfer Station		30	30
Furniture and Fittings		102	79
Site Improvements		181	142
Minor Plant		12	14
Plant & Equipment		445	406
CWMS			
- Infrastructure		51	49
- Plant & Equipment		3	6
Regional Livestock Exchange			
- Building Structures		343	342
- Plant, Equipment & Furniture		35	43
Swimming Lake			
- Building Structures		64	63
- Plant, Equipment & Furniture		8	2
Aerodrome			
- Building Structures		102	98
- Site Improvements		3	3
Infrastructure			
- Bridges & Drainage		60	59
- Roads		3,415	3,402
- Walkways		147	135
- Kerb & Watertable		264	263
- Stormwater & Culverts		161	159
Right of Use Assets	17	42	59
		<u>5,921</u>	<u>5,785</u>
FINANCE COSTS			
Interest on Loans		56	91
Interest on Leases		1	3
		<u>57</u>	<u>94</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

	2022	2021
Notes	\$'000	\$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	248	336
Less: Carrying amount of assets sold	1,257	1,609
Gain (Loss) on disposal	<u>(1,009)</u>	<u>(1,273)</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	<u>(1,009)</u>	<u>(1,273)</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 5 - CURRENT ASSETS

	Notes	2022 \$'000	2021 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		513	148
Deposits at Call		8,887	7,061
Short Term Deposits & Bills, etc		2,510	3,315
		<u>11,910</u>	<u>10,524</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		430	454
Accrued Revenues		41	62
Debtors - general		135	182
GST Recoupment		217	156
Prepayments		207	3
Loans to community organisations		32	36
		<u>1,062</u>	<u>893</u>
INVENTORIES			
Quarry Materials		547	504
Trading Stock - VIC		5	5
Fuel & Lubricants		62	34
General Stores		40	43
Other		2	8
		<u>656</u>	<u>594</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 6 - NON-CURRENT ASSETS

	Notes	2022 \$'000	2021 \$'000
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		<u>175</u>	<u>267</u>
TOTAL FINANCIAL ASSETS		<u>175</u>	<u>267</u>
OTHER NON-CURRENT ASSETS			
Inventories			
Capital Works-in-Progress		<u>714</u>	<u>554</u>
		<u>714</u>	<u>554</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (IPP&E)

	Fair Value Level	2021 \$'000				2022 \$'000			
		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land (L2)	2	3,499	165	-	3,664	3,499	165	-	3,664
Land (L3)	3	9,337	-	-	9,337	9,328	-	-	9,328
Buildings & Other Structures (L2)	2	1,720	-	(130)	1,590	1,689	-	(164)	1,525
Buildings & Other Structures (L3)	3	20,924	937	(12,038)	9,823	20,808	3,507	(12,318)	11,997
Transfer Station		1,446	-	(376)	1,070	1,446	-	(406)	1,040
Furniture and Fittings		-	829	(480)	349	-	1,122	(578)	544
Site Improvements		-	4,449	(1,025)	3,424	-	5,321	(1,190)	4,131
Minor Plant		-	349	(284)	65	-	359	(282)	77
Plant & Equipment		-	7,884	(4,071)	3,813	-	8,166	(4,274)	3,892
CWMS									
- Infrastructure	3	3,683	-	(1,779)	1,904	3,683	-	(1,830)	1,853
- Plant & Equipment		-	89	(76)	13	-	89	(79)	10
Regional Livestock Exchange									
- Building Structures	3	8,947	1,905	(4,140)	6,712	8,947	1,988	(4,483)	6,452
- Plant, Equipment & Furniture		-	356	(241)	115	-	567	(224)	343
Swimming Lake									
- Building Structures	3	3,837	111	(2,497)	1,451	3,837	111	(2,561)	1,387
- Plant, Equipment & Furniture		-	60	(15)	45	-	60	(23)	37
Aerodrome									
- Building Structures	3	3,660	184	(1,844)	2,000	3,660	185	(1,947)	1,898
- Site Improvements		-	91	(32)	59	-	91	(35)	56

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (IPP&E)

	Fair Value Level	2021 \$'000				2022 \$'000			
		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Infrastructure									
- Bridges & Drainage	3	6,540	47	(3,070)	3,517	6,540	143	(3,131)	3,552
- Roads	3	165,074	2,324	(43,776)	123,622	168,226	2,810	(46,647)	124,389
- Walkways	3	4,984	770	(1,883)	3,871	4,953	1,122	(2,012)	4,063
- Kerb & Watertable	3	15,712	142	(5,520)	10,334	15,712	258	(5,785)	10,185
- Stormwater & Culverts	3	16,734	74	(5,786)	11,022	16,734	378	(5,945)	11,167
Right of Use Assets		-	160	(114)	46	-	160	(156)	4
Total IPP&E		266,097	20,926	(89,177)	197,846	269,062	26,602	(94,070)	201,594
Comparatives		254,998	31,037	(100,727)	185,308	266,097	20,926	(89,177)	197,846

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 2022

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2021	Carrying Amounts Movement During the Year										2022
	\$'000	\$'000										\$'000
	Carrying Amount	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount		
		New / Upgrade	Renewals				In	Out				
Land (L2)	3,664	-	-	-	-	-	-	-	-	-	3,664	
Land (L3)	9,337	-	(9)	-	-	-	-	-	-	-	9,328	
Buildings & Other Structures (L2)	1,590	-	-	(65)	-	-	-	-	-	-	1,525	
Buildings & Other Structures (L3)	9,823	272	2,298	(8)	(388)	-	-	-	-	-	11,997	
Transfer Station	1,070	-	-	-	(30)	-	-	-	-	-	1,040	
Furniture and Fittings	349	250	47	-	(102)	-	-	-	-	-	544	
Site Improvements	3,424	947	11	(70)	(181)	-	-	-	-	-	4,131	
Minor Plant	65	1	23	-	(12)	-	-	-	-	-	77	
Plant & Equipment	3,813	3	602	(81)	(445)	-	-	-	-	-	3,892	
CWMS												
- Infrastructure	1,904	-	-	-	(51)	-	-	-	-	-	1,853	
- Plant & Equipment	13	-	-	-	(3)	-	-	-	-	-	10	
Regional Livestock Exchange												
- Building Structures	6,712	41	42	-	(343)	-	-	-	-	-	6,452	
- Plant, Equipment & Furniture	115	192	94	(23)	(35)	-	-	-	-	-	343	
Swimming Lake												
- Building Structures	1,451	-	-	-	(64)	-	-	-	-	-	1,387	
- Plant, Equipment & Furniture	45	-	-	-	(8)	-	-	-	-	-	37	

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2022

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2021 \$'000	Carrying Amounts Movement During the Year \$'000										2022 \$'000
		Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount		
		New / Upgrade	Renewals				In	Out				
Aerodrome	2,000	-	-	-	(102)	-	-	-	-	-	-	1,898
- Building Structures	59	-	-	-	(3)	-	-	-	-	-	-	56
- Site Improvements												
Infrastructure	3,517	95	-	(60)	-	-	-	-	-	-	-	3,552
- Bridges & Drainage	123,622	-	2,251	(3,415)	-	-	-	-	2,983	-	-	124,389
- Roads	3,871	167	185	(147)	-	-	-	-	-	-	-	4,063
- Walkways	10,334	90	25	(264)	-	-	-	-	-	-	-	10,185
- Kerb & Watertable	11,022	222	85	(161)	-	-	-	-	-	-	-	11,167
- Stormwater & Culverts	46	-	-	(42)	-	-	-	-	-	-	-	4
Right of Use Assets												
Total IPP&E	197,846	2,280	5,663	(1,257)	(5,921)	-	-	-	2,983	-	-	201,594
Comparatives	185,308	1,409	4,143	(1,609)	(5,785)	-	-	-	14,380	-	-	197,846

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 2022

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, 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.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

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
Information Technology	500
Other Plant & Equipment	1,000
Buildings - new construction/extensions	10,000
Buildings - Fit-out or Services	1,000
Park & Playground Furniture & Equipment	2,500
Road construction & reconstruction	10,000
Paving & footpaths, Kerb & Gutter	10,000
Kerb & Watertable	5,000
Bridges & Culverts	5,000
Spoon Drains	2,500
Stormwater	10,000
Artworks	1,000

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 - Computerised	2 to 10 years
Office Furniture & Equipment	5 to 15 years
Vehicles and Road-making Equip	5 to 15 years
Other 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	
Seals - Upper	20 to 40 years

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Seals - Lower	80 to 120 years
Asphalt	40 years
Pavement – Sealed Road	80 to 120 years
Pavement – Rubble Road	20 to 80 years
Sub Pavement – Rubble Road	80 to 999 years
Bridges	60 to 100 years
Paving & Footpaths	25 to 50 years
Kerb & Watertable	60 to 80 years
Stormwater Drainage	60 to 300 years
Other Assets	
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.

Earthworks is assessed as a component of land under roads and as such it has been assessed that no reliable value can be attached to earthworks.

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.

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

Freehold land and land over which Council has control, but does not have title, is recognised on a fair value basis.

Where land is classified as Hierarchy Level 3, site value as provided by the Valuer-General has been determined as the most suitable basis of valuation. Level 3 land was revalued at 1 July 2019.

Land classified as Hierarchy Level 2 was revalued at market value by Aaron Armistead, AAPI CPV #18353 of Preston Rowe Paterson as at 1 July 2019.

Additions are recognised at cost.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 7 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Buildings & Other Structures

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

The 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 by Aaron Armistead, AAPI CPV #18353 of Preston Rowe Paterson as at 1 July 2019.

Additions are recognised at cost.

Bridges (including major culverts)

Bridges (including major culverts) were revalued at Fair Value by Aaron Armistead, AAPI CPV #18353 of Preston Rowe Paterson as at 1 July 2019.

Additions are recognised at cost.

Infrastructure

Road seals and pavements were valued at depreciated current replacement cost as at 1 July 2018, based on local knowledge of road building techniques and useful lives. Council's methodology was reviewed and deemed as appropriate by Ashay Prabhu, Director, Assetic Pty Ltd. The on-ground assets were inspected, dimensions validated and upper component condition rated by Council staff and Greenhill Engineers Pty Ltd as at 1 July 2018.

Using prior year projects as the reference point, unit rates for road seals and pavements were recalculated by Council Officers as at 1 July 2020.

Road hierarchies were reviewed 1 July 2020 to ensure compliance with Council's endorsed Infrastructure & Asset Management Plan. This review resulted in the correction to a number of roads and subsequently impacted on the expected useful lives of these assets.

All other infrastructure assets, including drainage, stormwater, kerbs & watertable and walkways were valued at depreciated current replacement cost as at 1 July 2016, based on unit rates calculated on the value of work undertaken during the previous reporting period. Unit rates were reviewed annually as at 1 July 2021. This year Seals & Pavements were revalued using revised unit rates and resulting in an asset increase of \$2.983 million.

Additions are recognised at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

These assets are recognised on the cost basis.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 8 - LIABILITIES

	Notes	2022		2021	
		Current	Non-current	Current	Non-current
		\$'000		\$'000	
TRADE & OTHER PAYABLES					
Goods & Services		953	-	808	-
Payments received in advance		396	-	321	-
Accrued expenses - employee entitlements		127	-	115	-
Accrued expenses - other		82	-	88	-
Aged Care Facility Deposits		542	-	213	-
Deposits, Retentions & Bonds		145	-	145	-
Other Payables		1	-	1	-
		2,246	-	1,691	-
BORROWINGS					
Loans		148	772	449	920
Leases Liabilities	17	3	1	44	4
		151	773	493	924
PROVISIONS					
LSL Employee entitlements (including oncosts)		528	36	614	24
AL Employee entitlements (including oncosts)		258	215	393	140
Other Employee Leave Entitlements		40	-	39	-
Other Provisions		-	-	2	-
		826	251	1,048	164

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

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2021	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2022
Notes	\$'000	\$'000	\$'000	\$'000
Land	8,102	-	-	8,102
Buildings & Other Structures	9,347	-	-	9,347
Infrastructure	133,412	2,983	-	136,395
Other Community Assets	1,374	-	-	1,374
TOTAL	152,235	2,983	-	155,218
Comparatives	137,855	14,380	-	152,235

OTHER RESERVES	1/7/2021	Transfers to Reserve	Transfers from Reserve	30/6/2022
Community Chest	21	-	(8)	13
Development	358	17	-	375
Lake Ormerod	1	-	-	1
Lucindale Health Centre	20	2	-	22
Lucindale Library	6	-	-	6
Open Space	25	-	-	25
Plant & Machinery	1,770	552	(44)	2,278
CWMS	589	29	-	618
TOTAL OTHER RESERVES	2,790	600	(52)	3,338
Comparatives	2,568	332	(110)	2,790

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 Chest Reserve

The Community Chest Reserve acknowledges community grants given by Council but not claimed by Community Groups as at 30 June 2022.

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.

Lake Ormerod Reserve

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

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.

CWMS Reserve

Balance of expenditure and income in relation to Lucindale's CWMS Scheme, held for future renewals & maintenance.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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.

CASH & FINANCIAL ASSETS	Notes	2022 \$'000	2021 \$'000
Open Space Reserve		25	25
Community Waste Management Scheme (CWMS) Reserve		619	589
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		644	614

Open Space Reserve

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.

Community Waste Management Scheme (CWMS) Reserve

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.

Committed & Tied Grants

Unexpended grant income received that must be expended on a specific project. These grants have been recognised as Amounts Received in Advance

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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	2022 \$'000	2021 \$'000
Total cash & equivalent assets	5	<u>11,910</u>	<u>10,524</u>
Balances per Cash Flow Statement		<u>11,910</u>	<u>10,524</u>

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

Net Surplus (Deficit)		2,523	1,952
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		5,921	5,785
Net increase (decrease) in unpaid employee benefits		(121)	(114)
Grants for capital acquisitions treated as Investing Activity		(769)	(697)
Net (Gain) Loss on Disposals		<u>1,009</u>	<u>1,273</u>
		8,563	8,199
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(173)	128
Net (increase) decrease in inventories		(62)	6
Net increase (decrease) in trade & other payables		359	(39)
Net increase (decrease) in other provisions		<u>(2)</u>	<u>(1)</u>
Net Cash provided by (or used in) operations		<u>8,685</u>	<u>8,293</u>

(c) Financing Arrangements

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

Bank Overdrafts			
Corporate Credit Cards		19	19
LGFA Cash Advance Debenture facility		3,500	4,000

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 2022

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	2022	2021	2022	2021
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	\$'000	\$'000	\$'000	\$'000
Administration	14,685	14,586	4,055	3,973	10,630	10,613	3,191	2,898	15,186	13,613
Community Services	265	328	921	918	(656)	(590)	124	196	6,937	7,082
Environment	1,164	1,092	1,789	1,738	(625)	(646)	-	-	13,278	13,115
Culture	152	71	609	667	(457)	(596)	144	66	4,707	2,381
Recreation	5	5	1,139	984	(1,134)	(979)	-	60	9,932	9,639
Regulatory Services	308	348	347	408	(39)	(60)	-	-	19	19
Transport & Communication	1,504	1,076	6,167	6,274	(4,663)	(5,198)	1,702	1,379	147,410	146,155
Economic Development	111	74	453	486	(342)	(412)	563	294	504	498
Business Undertakings	2,007	1,947	1,917	1,574	90	373	-	-	10,849	10,889
Plant Machinery & Depot	77	61	168	84	(91)	(23)	-	-	5,195	5,095
Unclassified	213	276	163	230	50	46	-	-	2,094	2,192
TOTALS	20,491	19,864	17,728	17,336	2,763	2,528	5,724	4,893	216,111	210,678

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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 Regional Landscape 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 Services, Heritage, Art Gallery and Lucindale Historical Museum.

Recreation

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

Regulatory Services

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 Activities

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 2022

Note 13 - 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 between 0.44% and 1.3% (2021: 0.22 and 1.63%). Short term deposits have an average maturity of 90 days and an average interest rates of 0.68% (2021: 90 days, 0.64%).

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 .48% (2021: 0.42%) 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).

Receivables - other levels of government

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: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying amount: approximates fair value.

Receivables - Retirement Home

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: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.

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 - Retirement Home Contributions **Accounting Policy:** To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.

Terms & conditions: 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.

Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.

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 5.3% and 6.95% (2021: 5.3% and 7.95%)

Carrying amount: approximates fair value.

Liabilities - Finance Leases **Accounting Policy:** accounted for in accordance with AASB 16 as stated in note 17

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 13 - FINANCIAL INSTRUMENTS (cont)

Liquidity Analysis

2022	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Financial Assets</u>					
Cash & Equivalents	11,910	-	-	11,910	11,910
Receivables	856	15	160	1,031	1,030
Total	12,766	15	160	12,941	12,940
<u>Financial Liabilities</u>					
Payables	1,831	-	-	1,831	2,037
Current Borrowings	195	-	-	195	148
Non-Current Borrowings	-	877	-	877	772
Total	2,026	877	-	2,903	2,957
2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Financial Assets</u>					
Cash & Equivalents	10,525	-	-	10,525	10,524
Receivables	898	135	167	1,200	1,157
Total	11,423	135	167	11,725	11,681
<u>Financial Liabilities</u>					
Payables	1,487	-	-	1,487	1,488
Current Borrowings	519	-	-	519	449
Non-Current Borrowings	-	780	292	1,072	920
Total	2,006	780	292	3,078	2,857

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

	30 June 2022		30 June 2021	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Cash Advance Facility		-	2.10	-
Fixed Interest Rates	5.30	920	5.33	1,368
		920		1,368

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 13 - FINANCIAL INSTRUMENTS (con't)

Net Fair Value

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

Risk Exposures:

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

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

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

Expected Credit Losses (ECLs). Council uses an allowance matrix to measure expected credit losses for receivables from individual customers, which comprise a large number of small balances. As rates and annual charges are secured over subject land no allowance for such receivables is made. The following table provides information about Council's ECLs from receivables (excluding secured rates and charges, GST and other amounts held in trust). Impairment analysis is performed each reporting date. ECLS are based on credit history adjusted for forward looking estimates and economic conditions.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 15 - FINANCIAL INDICATORS

	2022	2021	2020
Operating Surplus Ratio			
<u>Operating Surplus</u>	13.5%	12.7%	13.5%
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>	-43%	-37%	-19%
Total Operating Income			

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

Adjustments to Ratios

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

Adjusted Operating Surplus Ratio	10.8%	11.8%	16.2%
Adjusted Net Financial Liabilities Ratio	-33%	-28%	-10%

Asset Renewal Funding Ratio

<u>Outlays on Existing Assets</u>	91%	100%	96%
Asset Renewals - IAMP			

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

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

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

	2022	2021
	\$'000	\$'000
Income	20,491	19,864
Expenses	(17,728)	(17,336)
Operating Surplus / (Deficit)	2,763	2,528
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(5,984)	(4,186)
Add back Depreciation, Amortisation and Impairment	5,921	5,785
Proceeds from Sale of Replaced Assets	248	336
	185	1,935
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(2,264)	(1,390)
Amounts received specifically for New and Upgraded Assets	769	697
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	-
	(1,495)	(693)
Net Lending / (Borrowing) for Financial Year	1,453	3,770

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 17 - OPERATING LEASES

Council as a Lessee

Right of Use Asset

Naracoorte Lucindale Council leases a building, occupied by the Naracoorte Public Library, and server infrastructure.

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment

Carrying Value	Building & Structures	Plant & Equipment	Office Equipment	Total
At 1 July 2021	45	-	1	46
Depreciation Charge	(41)	-	(1)	(42)
At 30 June 2022	4	-	-	4

Set out below are the carrying amounts of lease liabilities (including under interest bearing loans and borrowings) and the movements during the period:

	2022
Opening Balance 1 July 2021	48
Accretion of Interest	1
Payments	(45)
Closing Balance 30 June 2022	4
Current	3
Non Current	1

The maturity analysis of lease liabilities is included in note 13

Council and its associated entities (the group) had total cash outflows for leases of **\$44,508**.

The following are amounts recognised on profit or loss:

Depreciation expense right of use asset	42
Interest expense on lease liabilities	1
Expenses relating to leases of low value assets	2
Total amount recognised in profit and loss	45

Council as a Lessor

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

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 18 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to HostPlus. There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.5% in 2020-21; 10.0% 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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2021. 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 2022

Note 19 - 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 0 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2022

Note 20 - 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, 19 persons were paid the following total compensation:

	2022	2021
	\$	\$
Salaries, allowances & other short term benefits	1,470	1,404
Post-employment benefits	-	-
Long term benefits	28	23
Termination benefits	61	-
TOTAL	1,559	1,427

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

	2022	2021
	\$	\$
Contributions for fringe benefits tax purposes	-	-
Rentals for Council property	-	-
TOTAL	-	-

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

KMP and relatives of KMPs own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. Purchases from none of these individual businesses exceeded \$16,502 (excl GST) during the year.

One (1) close family member of key management personnel are employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the *Local Government Act 1999*.

Key management personnel or close family members (including related parties) lodged a total of one (1) planning and building applications during the year. In accordance with the Local Government Act 1999, these persons declared conflicts of interest and took no part in the assessment or approval processes for these applications.

One (1) planning and building approvals, with and without conditions, was granted during the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$425.



INDEPENDENT AUDITOR'S REPORT

To the members of the Naracoorte Lucindale Council

Opinion

We have audited the accompanying financial report of the Naracoorte Lucindale Council, which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the Naracoorte Lucindale Council.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's Responsibility for the Financial Report

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council's financial reporting process.

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Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA, Registered Company Auditor
Partner

02/12/2022



INDEPENDENT AUDITOR'S REPORT

To the Members of the Naracoorte Lucindale Council

Independent Assurance report on the Internal Controls of the Naracoorte Lucindale Council

Opinion

We have audited the compliance of the Naracoorte Lucindale 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 2021 to 30 June 2022 have been conducted properly and in accordance with law.

In our opinion, the Naracoorte Lucindale 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 2021 to 30 June 2022.

Basis for Opinion

We conducted our engagement 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 2021 to 30 June 2022. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for 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, acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

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

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Auditor's 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 2021 to 30 June 2022. 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.

Limitations of Controls

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

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

Limitation of 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 which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS**Tim Muhlhausler**

CA, Registered Company Auditor
Partner

02/12/2022


Naracoorte Lucindale Council
Annual Financial Statements
for the year ended 30 June 2022
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Coalface SA Council for the year ended 30 June 2022, the Council's Auditor, Galpins Accountants, 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*.



.....
Trevor Smart
CHIEF EXECUTIVE OFFICER



.....
Jim Ker
PRESIDING MEMBER AUDIT COMMITTEE

Date: 8 November 2022

**Naracoorte Lucindale Council
Annual Financial Statements
for the year ended 30 June 2022**

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of Naracoorte Lucindale Council for the year ended 30 June 2022, 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*.



Tim Muhlhausler
Galpins Accountants, Auditors & Business Consultants

Dated this 2nd day of December 2022