



Naracoorte Lucindale Council

Better by Nature



Financial Statements

for Year Ending

30 June 2020

Naracoorte Lucindale Council
General Purpose Financial Reports
for the year ended 30 June 2020

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Naracoorte Lucindale Council
Annual Financial Statements
for the year ended 30 June 2020

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.


.....
Trevor Smart
CHIEF EXECUTIVE OFFICER


.....
Erika Vickery, OAM
MAYOR/COUNCILLOR

Date: 22/9/20

Naracoorte Lucindale Council
Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
INCOME			
Rates	2	12,450	12,255
Statutory charges	2	243	200
User charges	2	2,067	1,976
Grants, subsidies and contributions	2	3,768	4,651
Investment income	2	129	201
Reimbursements	2	112	207
Other income	2	331	365
Total Income		19,100	19,855
EXPENSES			
Employee costs	3	4,905	5,189
Materials, contracts & other expenses	3	5,952	5,467
Depreciation, amortisation & impairment	3	5,543	5,243
Finance costs	3	124	146
Total Expenses		16,524	16,045
OPERATING SURPLUS / (DEFICIT)		2,576	3,810
Asset disposal & fair value adjustments	4	(1,834)	(2,454)
Amounts received specifically for new or upgraded assets	2	808	717
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		1,550	2,073
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	5,590	300
Total Other Comprehensive Income		5,590	300
TOTAL COMPREHENSIVE INCOME		7,140	2,373

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

Naracoorte Lucindale Council
Statement of Financial Position
as at 30 June 2020

ASSETS	Notes	2020 \$'000	2019 \$'000
Current Assets			
Cash and cash equivalents	5	7,269	9,748
Trade & other receivables	5	1,025	1,246
Inventories	5	600	660
Total Current Assets		8,894	11,654
Non-current Assets			
Financial assets	6	342	396
Infrastructure, property, plant & equipment	7	185,308	175,834
Other non-current assets	6	511	916
Total Non-current Assets		186,161	177,146
Total Assets		195,055	188,800
LIABILITIES			
Current Liabilities			
Trade & other payables	8	1,747	2,276
Borrowings	8	509	422
Provisions	8	1,186	1,185
Total Current Liabilities		3,442	3,883
Non-current Liabilities			
Borrowings	8	1,416	1,818
Provisions	8	171	213
Total Non-current Liabilities		1,587	2,031
Total Liabilities		5,029	5,914
NET ASSETS		190,026	182,886
EQUITY			
Accumulated Surplus		49,680	47,864
Asset Revaluation Reserves	9	137,855	132,265
Other Reserves	9	2,491	2,757
TOTAL EQUITY		190,026	182,886

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 2020

2020	Notes	Acc'd Surplus \$'000	Asset Rev'n Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period		47,864	132,265	2,757	182,886
Restated opening balance		47,864	132,265	2,757	182,886
Net Surplus / (Deficit) for Year		1,550	-	-	1,550
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	5,590	-	5,590
Transfers between reserves		266	-	(266)	-
Balance at end of period	9	49,680	137,855	2,491	190,026

2019		Acc'd Surplus \$'000	Asset Rev'n Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period		45,879	131,965	2,669	180,513
Net Surplus / (Deficit) for Year		2,073	-	-	2,073
Other Comprehensive Income					
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	300	-	300
Transfers between reserves		(88)	-	88	-
Balance at end of period	9	47,864	132,265	2,757	182,886

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 2020

		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	\$'000	\$'000
Receipts:			
Rates - general & other		12,468	12,382
Fees & other charges		259	212
User charges		2,235	2,273
Investment receipts		143	211
Grants utilised for operating purposes		4,051	4,985
Reimbursements		237	116
Other revenues		1,528	1,790
Payments:			
Employee costs		(4,909)	(5,124)
Materials, contracts & other expenses		(7,892)	(7,354)
Finance payments		(131)	(177)
Net Cash provided by (or used in) Operating Activities	11	7,989	9,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
Amounts specifically for new or upgraded assets		808	717
Sale of replaced assets		180	79
Repayments of loans by community groups		53	46
Payments:			
Expenditure on renewal/replacement of assets		(8,623)	(6,459)
Expenditure on new/upgraded assets		(2,418)	(2,135)
Loans made to community groups		-	(100)
Net Cash provided by (or used in) Investing Activities		(10,000)	(7,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
Proceeds from Leasing		107	-
Payments:			
Repayments of borrowings		(422)	(396)
Repayment of aged care facility deposits		(153)	-
Net Cash provided by (or used in) Financing Activities		(468)	(396)
Net Increase (Decrease) in cash held		(2,479)	1,066
Cash & cash equivalents at beginning of period	11	9,748	8,682
Cash & cash equivalents at end of period	11	7,269	9,748

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 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011 dated 22 September 2020.

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).

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

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.

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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

	Cash Payment Received	Annual Allocation	Difference	
2017-18	\$3,376,716	\$3,226,527	+	\$150,189
2018-19	\$4,093,343	\$3,436,848	+	\$656,495
2019-20	\$3,063,349	\$3,438,421	-	\$375,072

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

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

3.1 Construction Contracts

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

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

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

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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.

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

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

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

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

6.6 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets carried at fair value whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not assessed for impairment.

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

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

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

0.25% (2019, 1.03%)

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.

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government 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 schemes are reported in Note 18.

10 Leases

Accounting Policy applicable for the year ending 30 June 2019 (comparatives):

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.

Accounting policy applicable from 01 July 2019:

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. 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.

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.

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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

Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities:

The Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in section 10 of this note. The Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July 2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

The Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to the Council to construct or acquire an asset to be controlled by the Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability "Amounts in Advance" and recorded in revenue as the asset is constructed.

The impact of adopting the new standards as at 1 July 2019 was an increase in liabilities of \$139,633 at 30 June 2020.

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2020 as a result of the adoption of AASB 15 and AASB 1058.

The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

	<i>Amounts prepared under AASB 15/1058 Previous AAS:</i>	
	<i>\$'000</i>	<i>\$'000</i>
<i>Grants, subsidies and contributions</i>	<i>\$4,576</i>	<i>\$4,705</i>
<i>Trade & Other Receivables</i>	<i>\$1,025</i>	<i>\$1,014</i>
<i>Trade & Other Payables</i>	<i>\$1,747</i>	<i>\$1,607</i>

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

Adoption of AASB 16 Leases (AASB 16)

The Council applied AASB 16 for the first time from 1 July 2019. AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

The Council adopted AASB 16 using the modified retrospective method of adoption. Under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of Accumulated Surplus as at 1 July 2019 and comparatives have not been restated.

The Council recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities. No adjustments were needed for any previously recognised prepaid or accrued lease expenses as there were none. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption of AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

Assets

IPP&E (right of use asset)	\$160
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Liabilities

Borrowings – Leases Liability	\$160
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Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 2 - INCOME

	Notes	2020	2019
		\$'000	\$'000
RATES REVENUES			
<u>General Rates</u>		10,806	10,646
Less: Mandatory rebates		(157)	(163)
Less: Discretionary rebates, remissions & write offs		(35)	(37)
		<hr/> 10,614	<hr/> 10,446
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		655	631
Waste collection		1,016	1,017
Community wastewater management systems		97	96
		<hr/> 1,768	<hr/> 1,744
<u>Other Charges</u>			
Penalties for late payment		53	62
Legal & other costs recovered		32	4
		<hr/> 85	<hr/> 66
Less: Discretionary rebates, remissions & write offs		(17)	(1)
		<hr/> 12,450	<hr/> 12,255
STATUTORY CHARGES			
Development Fees (Building)		58	34
Development Fees (Planning)		75	83
Health & Septic Tank Inspection fees		25	6
Animal registration fees & fines		61	59
Parking fines / expiation fees		5	1
Other licences, fees, & fines		19	17
		<hr/> 243	<hr/> 200
USER CHARGES			
Cemetery/crematoria fees		106	101
Livestock Exchange Fees and Charges		1,737	1,634
Lease, Permits and Rental Income		118	124
Hall & equipment hire		31	36
Sales - general		55	69
Sundry		20	12
		<hr/> 2,067	<hr/> 1,976
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		95	158
Banks & other		20	29
Loans to community groups		14	14
		<hr/> 129	<hr/> 201

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 2 - INCOME (con't)

	Notes	2020 \$'000	2019 \$'000
REIMBURSEMENTS			
- for private works		28	149
- other		84	58
		112	207
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		89	158
Rebates received		58	62
Sundry		184	145
		331	365
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		808	717
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		3,063	4,093
Roads to Recovery		492	344
Home and Community Care Grant		-	-
Library		58	50
Sundry		155	164
		3,768	4,651
		4,576	5,368
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
<i>Commonwealth government</i>		554	398
<i>State government</i>		3,975	4,944
<i>Other</i>		47	26
		4,576	5,368

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 2 - INCOME (con't)

	2020	2019
Conditions over grants & contributions		
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>		
<i>Unexpended at the close of the previous reporting period</i>	141	375
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>		
<i>Roads Infrastructure</i>	(50)	(375)
<i>Heritage & Cultural Services</i>	(91)	-
<i>Subtotal</i>	(141)	(375)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Roads Infrastructure</i>	-	50
<i>Heritage & Cultural Services</i>	-	91
<i>Subtotal</i>	-	141
<i>Unexpended at the close of this reporting period</i>	-	141
<i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>	(141)	(234)

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 3 - EXPENSE

	Notes	2020 \$'000	2019 \$'000
EMPLOYEE COSTS			
Salaries and Wages		3,914	4,109
Employee leave expense		927	950
Superannuation - defined contribution plan contributions	18	342	332
Superannuation - defined benefit plan contributions	18	99	104
Workers' Compensation Insurance		168	159
Other		84	81
Less: Capitalised and distributed costs		(629)	(546)
Total Operating Employee Costs		4,905	5,189
 Total Number of Employees		 65	 65
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		24	25
Elected members' expenses		192	225
Election expenses		2	41
Operating Lease Rentals - cancellable leases		-	30
Lease Expenses - short term leases	17	3	-
Lease Expenses - low value assets	17	12	-
Subtotal - Prescribed Expenses		233	321
<u>Other Materials, Contracts & Expenses</u>			
Contractors		915	940
Energy		626	679
Waste Management		1,115	1,102
Street Cleaning		144	140
Insurance		263	250
Quarry - rubble raising & associated costs		601	327
Subscriptions & Licences		312	310
Maintenance		915	939
Legal Expenses		14	9
Levies paid to government - NRM levy		658	671
- Other Levies		161	177
Parts, accessories & consumables		611	550
Professional services		205	73
Sundry		558	395
Less: Capitalised and distributed costs		(1,379)	(1,416)
Subtotal - Other Materials, Contracts & Expenses		5,719	5,146
		5,952	5,467

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 3 - EXPENSE con't

	2020	2019
Notes	\$'000	\$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Buildings & Other Structures (L2)	65	11
Buildings & Other Structures (L3)	350	452
Transfer Station	30	37
Furniture and Fittings	64	61
Site Improvements	118	111
Minor Plant	13	14
Plant & Equipment	387	356
Library Books	31	30
CWMS		
- Infrastructure	49	49
- Plant & Equipment	6	4
Regional Livestock Exchange		
- Building Structures	303	372
- Plant, Equipment & Furniture	41	35
Swimming Lake		
- Building Structures	60	55
- Plant, Equipment & Furniture	5	4
Aerodrome		
- Building Structures	96	117
- Site Improvements	3	2
Infrastructure		
- Bridges & Drainage	54	82
- Roads	3,336	2,996
- Walkways	121	117
- Kerb & Watertable	199	190
- Stormwater & Culverts	157	148
Right of Use Assets	17 55	-
	5,543	5,243
FINANCE COSTS		
Interest on Loans	120	146
Interest on Leases	4	-
	124	146

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

		2020	2019
	Notes	\$'000	\$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		180	79
Less: Carrying amount of assets sold		2,014	2,533
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		(1,834)	(2,454)

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 5 - CURRENT ASSETS

	Notes	2020 \$'000	2019 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		556	292
Deposits at Call		3,900	4,000
Short Term Deposits & Bills, etc		2,813	5,456
		<u>7,269</u>	<u>9,748</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		534	602
Accrued Revenues		73	75
Debtors - general		142	314
GST Recoupment		235	170
Prepayments		1	46
Loans to community organisations		40	39
		<u>1,025</u>	<u>1,246</u>
INVENTORIES			
Quarry Materials		534	571
Trading Stock - VIC		5	6
Fuel & Lubricants		35	40
General Stores		19	29
Other		7	14
		<u>600</u>	<u>660</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.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 6 - NON-CURRENT ASSETS

	Notes	2020 \$'000	2019 \$'000
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		<u>342</u>	<u>396</u>
TOTAL FINANCIAL ASSETS		<u>342</u>	<u>396</u>
 OTHER NON-CURRENT ASSETS			
Capital Works-in-Progress		<u>511</u>	<u>916</u>
		<u>511</u>	<u>916</u>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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

		2019 \$'000				2020 \$'000			
	Fair Value Level	Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land (L2)	2	3,254	-	-	3,254	3,499	160	-	3,659
Land (L3)	3	8,971	-	-	8,971	9,337	-	-	9,337
Buildings & Other Structures (L2)	2	285	-	(44)	241	1,720	-	(65)	1,655
Buildings & Other Structures (L3)	3	24,264	252	(13,561)	10,955	20,942	809	(11,690)	10,061
Transfer Station	3	1,468	-	(336)	1,132	1,446	-	(346)	1,100
Furniture and Fittings		-	824	(562)	262	-	952	(611)	341
Site Improvements		-	3,333	(980)	2,353	-	3,922	(1,089)	2,833
Minor Plant		-	372	(315)	57	-	367	(293)	74
Plant & Equipment		-	7,664	(4,154)	3,510	-	7,847	(4,206)	3,641
Library Books		-	715	(543)	172	-	715	(548)	167
CWMS									
- Infrastructure	3	3,678	-	(1,682)	1,996	3,678	-	(1,731)	1,947
- Plant & Equipment		-	89	(64)	25	-	89	(70)	19
Regional Livestock Exchange									
- Building Structures	3	248	12,563	(5,659)	7,152	9,261	1,583	(4,112)	6,732
- Plant, Equipment & Furniture		-	342	(206)	136	-	371	(229)	142
Swimming Lake									
- Building Structures	3	3,112	299	(1,835)	1,576	3,837	89	(2,434)	1,492
- Plant, Equipment & Furniture		-	45	(33)	12	-	57	(13)	44
Aerodrome									
- Building Structures	3	2,438	886	(1,047)	2,277	3,660	-	(1,746)	1,914
- Site Improvements		-	70	(27)	43	-	91	(29)	62

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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

		2019 \$'000				2020 \$'000			
Fair Value Level		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Infrastructure									
- Bridges & Drainage	3	7,697	472	(4,576)	3,593	5,917	623	(3,011)	3,529
- Roads	3	155,601	5,443	(55,189)	105,855	166,057	4,350	(57,514)	112,893
- Walkways	3	2,839	1,511	(1,296)	3,054	2,665	2,143	(1,337)	3,471
- Kerb & Watertable	3	10,265	1,601	(3,816)	8,050	10,011	2,522	(3,938)	8,595
- Stormwater & Culverts	3	12,987	3,684	(5,513)	11,158	12,968	4,187	(5,660)	11,495
Right of Use Assets		-	-	-	-	-	160	(55)	105
Total IPP&E		237,107	40,165	(101,438)	175,834	254,998	31,037	(100,727)	185,308
Comparatives		283,793	27,835	(137,188)	174,440	237,107	40,165	(101,438)	175,834

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 2020

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2019	CARRYING AMOUNT MOVEMENTS DURING YEAR								2020
	\$'000	\$'000								\$'000
	Carrying Amount	Net Adjust AASB 16	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n
New / Upgrade			Renewals	In				Out		
Land (L2)	3,254		160	-	-	-	-	-	245	3,659
Land (L3)	8,971		-	-	-	-	-	-	366	9,337
Buildings & Other Structures (L2)	241		-	-	-	(65)	-	1,180	299	1,655
Buildings & Other Structures (L3)	10,955		515	294	(40)	(350)	-	(1,180)	(133)	10,061
Transfer Station	1,132		-	-	-	(30)	-	116	(118)	1,100
Furniture and Fittings	262		98	45	-	(64)	-	-	-	341
Site Improvements	2,353		398	210	(4)	(118)	-	(6)	-	2,833
Minor Plant	57		27	4	(1)	(13)	-	-	-	74
Plant & Equipment	3,510		-	720	(92)	(387)	-	(110)	-	3,641
Library Books	172		-	26	-	(31)	-	-	-	167
CWMS										
- Infrastructure	1,996		-	-	-	(49)	-	-	-	1,947
- Plant & Equipment	25		-	-	-	(6)	-	-	-	19
Regional Livestock Exchange										
- Building Structures	7,152		-	1,583	-	(303)	-	-	(1,700)	6,732
- Plant, Equipment & Furniture	136		30	15	2	(41)	-	-	-	142
Swimming Lake										
- Building Structures	1,576		-	89	(2)	(60)	-	-	(111)	1,492
- Plant, Equipment & Furniture	12		-	39	(2)	(5)	-	-	-	44

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2019	CARRYING AMOUNT MOVEMENTS DURING YEAR								2020	
	\$'000	\$'000								\$'000	
	Carrying Amount	Net Adjust AASB 16	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount
		New / Upgrade	Renewals				In	Out			
Aerodrome											
- Building Structures	2,277	-	-	-	(96)	-	-	(22)	(245)	1,914	
- Site Improvements	43	-	-	-	(3)	-	22	-	-	62	
Infrastructure											
- Bridges & Drainage	3,593	-	623	(74)	(54)	-	-	-	(559)	3,529	
- Roads	105,855	151	4,199	(1,522)	(3,336)	-	-	-	7,546	112,893	
- Walkways	3,054	285	347	(94)	(121)	-	-	-	-	3,471	
- Kerb & Watertable	8,050	286	634	(176)	(199)	-	-	-	-	8,595	
- Stormwater & Culverts	11,158	468	35	(9)	(157)	-	-	-	-	11,495	
Right of Use Assets	-	160	-	-	(55)	-	-	-	-	105	
Total IPP&E	175,834	160	2,418	8,863	(2,014)	(5,543)	-	1,318	(1,318)	5,590	185,308
<i>Comparatives</i>	174,440		2,135	6,735	(2,533)	(5,243)	-	10,607	(10,607)	300	175,834

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 2020

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

Valuation of Assets

General Valuation Principles

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

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

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

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

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

Fair value hierarchy level 2 valuations: Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land: Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

Naracoorte Lucindale Council

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

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

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$ 1,000
Information Technology	\$ 500
Other Plant and Equipment	\$ 1,000
Buildings New Construction / Extensions	\$10,000
Buildings – fit-out or services	\$ 1,000
Park & Playground Equipment	\$ 2,500
Road Construction and 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
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	
Seals - Upper	20 years
Seals - Lower	80 years
Asphalt	20 to 40 years
Pavement – Sealed Road	80 to 160 years
Pavement – Rubble Road	20 to 50 years
Sub Pavement – Rubble Road	200 to 500 years
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

Naracoorte Lucindale Council

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

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

Land & Land Improvements

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

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.

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.

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 2019.

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.

Additions are recognised at cost.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 8 - LIABILITIES

	Notes	2020		2019	
		Current	Non-current	Current	Non-current
		\$'000	\$'000	\$'000	\$'000
TRADE & OTHER PAYABLES					
Goods & Services		830		1,110	
Payments received in advance		353	-	399	-
Accrued expenses - employee entitlements		85	-	95	-
Accrued expenses - other		74	-	103	-
Aged Care Facility Deposits		279	-	438	-
Deposits, Retentions & Bonds		125	-	126	-
Other Payables		1	-	5	-
		1,747	-	2,276	-
<i>Amounts included in trade & other payables that are not expected to be settled within 12 months of reporting date.</i>		213		438	
BORROWINGS					
Loans		450	1,368	422	1,818
Leases Liabilities	17	59	48	-	-
		509	1,416	422	1,818
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,185	169	1,183	210
Other Provisions		1	2	2	3
		1,186	171	1,185	213
<i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>		711		710	

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2019	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2020
Notes	\$'000	\$'000	\$'000	\$'000
Land	7,491	611	-	8,102
Buildings & Other Structures	9,181	166	-	9,347
Infrastructure	113,941	4,924	-	118,865
Other Community Assets	1,652	(111)	-	1,541
TOTAL	132,265	5,590	-	137,855
Comparatives	131,965	300	-	132,265

OTHER RESERVES	1/7/2019	Transfers to Reserve	Transfers from Reserve	30/6/2020
Community & Heritage Chest	31	3	-	34
IT Upgrade	80	-	(80)	-
Lake Ormerod	1	-	-	1
Lucindale Aged Care Facility	5	-	(5)	-
Lucindale Health Centre	13	4	-	17
Lucindale Library	6	-	-	6
Open Space	25	-	-	25
Plant & Machinery	1,607	-	(44)	1,563
Harry Tregoweth Retirement Village	-	-	-	-
Livestock Exchange (NRLE)	228	-	(228)	-
CWMS	437	84	-	521
TOTAL OTHER RESERVES	2,433	91	(357)	2,167
Comparatives	2,669	475	(387)	2,757

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 2019.

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.

IT Upgrade Reserve

Provision for the upgrade of IT requirements.

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 2020

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 renewals & maintenance.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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	2020 \$'000	2019 \$'000
Open Space Reserve		25	25
Community Waste Management Scheme (CWMS) Reserve		521	437
Committed & Tied Grants		132	141
		678	603
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		678	603

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 2020

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	2020 \$'000	2019 \$'000
Total cash & equivalent assets	5	<u>7,269</u>	<u>9,748</u>
Balances per Cash Flow Statement		<u>7,269</u>	<u>9,748</u>

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

Net Surplus (Deficit)		1,550	2,073
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		5,543	5,243
Net increase (decrease) in unpaid employee benefits		(49)	110
Grants for capital acquisitions treated as Investing Activity		(808)	(717)
Net (Gain) Loss on Disposals		<u>1,834</u>	<u>2,454</u>
		8,070	9,163
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		222	(190)
Net (increase) decrease in inventories		60	(77)
Net increase (decrease) in trade & other payables		(361)	422
Net increase (decrease) in other provisions		<u>(2)</u>	<u>(4)</u>
Net Cash provided by (or used in) operations		<u>7,989</u>	<u>9,314</u>

(c) Financing Arrangements

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

Corporate Credit Cards	19	14
LGFA Cash Advance Debenture facility	4,000	4,000

The LGFA Cash Advance Debenture Facility may be drawn at any time.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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				
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Administration	14,117	13,951	3,687	3,928	10,430	10,023	2,550	2,652	10,531	12,416
Community Services	256	258	900	965	(644)	(707)	62	54	7,192	6,901
Environment	1,056	1,052	1,679	1,629	(623)	(577)	-	-	13,630	13,320
Culture	79	61	496	475	(417)	(414)	73	51	2,695	1,755
Recreation	25	32	1,002	953	(977)	(921)	67	24	9,062	9,100
Regulatory Services	231	190	346	292	(115)	(102)	-	-	12	-
Transport & Communication	1,039	1,828	6,319	5,790	(5,280)	(3,962)	1,766	2,499	133,234	125,954
Economic Development	133	182	599	447	(466)	(265)	58	88	492	478
Business Undertakings	1,859	1,878	1,398	1,401	461	477	-	-	10,987	12,254
Plant Machinery & Depot	63	64	-	-	63	64	-	-	4,902	4,960
Unclassified	242	359	98	165	144	194	-	-	2,318	1,662
TOTALS	19,100	19,855	16,524	16,045	2,576	3,810	4,576	5,368	195,055	188,800

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 12 (con't) - 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 2020

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	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 0.25% and 1.25% (2019: 1% and 2.55%). Short term deposits have an average maturity of 90 days and an average interest rates of 1.35% (2019: 90 days, 1.48%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.43% (2019: 0.53%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Retirement Home	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>

Naracoorte Lucindale Council

Notes to and forming part of the Financial Statements

Note 13 - FINANCIAL INSTRUMENTS (con't)

Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Retirement Home Contributions	<p>Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p>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.</p> <p>Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: initially recognised at fair value and subsequently at amortised cost, interest is charged as an expense using the effective interest rate</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable biannually; interest is charged at fixed rates between 5.3% and 7.95% (2019: 5.3% and 7.95%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: accounted for in accordance with AASB 16 as stated in note 17</p>

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 13 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2020	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	7,269			7,269	7,269
Receivables	1,002	-	-	1,002	984
Community Loans	46	162	224	432	382
Total	8,317	162	224	8,703	8,635
<u>Financial Liabilities</u>					
Payables	1,611	-	-	1,611	1,588
Current Borrowings	549	-	-	549	450
Lease Liabilities	62	50	-	112	107
Non-Current Borrowings	-	1,104	487	1,591	1,368
Total	2,222	1,154	487	3,863	3,513

2019	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	9,748			9,748	9,748
Receivables	1,207	-	-	1,207	1,207
Community Loans	46	170	261	477	435
Total	11,001	170	261	11,432	11,390
<u>Financial Liabilities</u>					
Payables	1,640	438	-	2,078	2,078
Current Borrowings	549	-	-	549	422
Non-Current Borrowings	-	1,458	682	2,140	1,818
Total	2,189	1,896	682	4,767	4,318

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

	30 June 2020		30 June 2019	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Cash Advance Facility	2.63	-	3.58	-
Fixed Interest Rates	5.19	1,818	5.58	2,240
		1,818		2,240

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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. Council investments are made with the SA Local Government Finance Authority, which are guaranteed by the SA Government and BankSA. 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 cash advance 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 2020

Note 14 - COMMITMENTS FOR EXPENDITURE

	2020	2019
Notes	\$'000	\$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	542	325
Plant & Equipment	395	-
	937	325
These expenditures are payable:		
Not later than one year	937	325
	937	325

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 15 - FINANCIAL INDICATORS

	2020	2019	2018
Operating Surplus Ratio			
<u>Operating Surplus</u>	13.5%	19.2%	3.5%
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>	(18.9%)	(28.0%)	(23.0%)
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	16.2%	16.4%	2.8%
Adjusted Net Financial Liabilities Ratio	(10.1%)	(40.0%)	(32.0%)

Asset Renewal Funding Ratio

<u>Net Outlays on Existing Assets</u>	95.6%	81.0%	67.0%
Net Asset Renewals - IAMP			

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

The asset renewal funding ratio is calculated on the sum of the proposed expenditure as indicated in the Infrastructure & Asset Management Plan plus annual depreciation for those classes currently excluded from the Plan. Excluded classes: furniture & fittings; site improvements, plant & equipment and library books.

Ratio Analysis:

Naracoorte Lucindale Council is in a strong financial position with a positive *operating surplus ratio* and a *net financial liabilities ratio* that indicates that Council is in a good position to increase its level of debt if needed for new or upgraded assets.

The *asset renewal funding ratio* has improved significantly since June 2018, indicating that assets are generally being renewed at an appropriate level, however, if the ratio continues to sit under 100% a backlog of renewal works will develop over time.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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

	2020		2019
	\$'000		\$'000
Income	19,100		19,855
Expenses	(16,524)		(16,045)
Operating Surplus / (Deficit)	2,576		3,810
 Net Outlays on Existing Assets			
Capital Expenditure on renewal and replacement of Existing Assets	(8,623)		(6,459)
Add back Depreciation, Amortisation and Impairment	5,543		5,243
Proceeds from Sale of Replaced Assets	180		79
	(2,900)		(1,137)
 Net Outlays on New and Upgraded Assets			
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(2,418)		(2,135)
Amounts received specifically for New and Upgraded Assets	808		717
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-		-
	(1,610)		(1,418)
Net Lending / (Borrowing) for Financial Year	(1,934)		1,255

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 17 - OPERATING LEASES

Council as a Lessee

Right of Use Assets

Naracoorte Lucindale Council leases a building, which is 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 2019	123	-	37	160
Depreciation Charge	(37)	-	(18)	(55)
At 30 June 2020	86	-	19	105

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

	2020
At 1 July 2019	160
Accretion of Interest	4
Payments	(57)
At 30 June 2020	107
Current	59
Non Current	48

The maturity analysis of lease liabilities is included in note 13

Council had total cash outflows for leases of **\$72,000**.

The following are amounts recognised on profit or loss:

Depreciation expense right of use asset	55
Interest expense on lease liabilities	4
Expenses relating to short term leases	3
Expenses relating to leases of low value assets	12
Total amount recognised in profit and loss	74

Council as a Lessor

Council owns various buildings, plant and other facilities that are available for hire or lease in accordance with the published fees & charges guide. 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 2020

Note 18 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2018-19; 9.50% in 2019-20). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2018-19) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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.

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 1 appeal 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.

4. RATEPAYER & COMMUNITY ORGANISATION 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 \$381,557 (2019: \$435,258).

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

Naracoorte Lucindale Council
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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, 18 persons were paid the following total compensation:

	2020	2019
	\$'000	\$'000
Salaries, allowances & other short term benefits	1,404	1,368
Post-employment benefits	-	-
Long term benefits	14	27
Termination benefits	-	-
TOTAL	1,418	1,395

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

	2020	2019
	\$'000	\$'000
Contributions for fringe benefits tax purposes	-	-
Planning and building applications fees	1	1
Rentals for Council property	-	-
TOTAL	1	1

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL (KMP)

KMP and relatives of KMPs own retail businesses from which various supplies were purchased as required on account. Purchases from none of these individual businesses exceeded \$2,000 during the year and were of a minor nature.

KMP and relatives of KMPs own businesses from which Council has expended approximately \$130,903. This expenditure is under an on-going contract as awarded by Council in compliance with its Procurement Policy.

One close family member of KMP is 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*.

KMP or close family members (including related parties) lodged a total of five planning and building applications during the year. The KMP took no part in the assessment or approval processes for these applications.

Five planning and building approvals, with and without conditions, were granted during the year. Total fees for these applications amounted to \$1,309.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL REPORT

To the members of the Naracoorte Lucindale Council

Opinion

We have audited the accompanying financial report of the Naracoorte Lucindale Council (the Council), which comprises the Statement of Financial Position as at 30 June 2020, Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of 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 2020, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. This responsibility includes determining that the basis of preparation described in Note 1 is appropriate to meet the need of the members. The Council's responsibility also includes designing, implementing and maintaining internal controls relevant to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

**DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS**



**SAMANTHA CRETEN
PARTNER**

Signed on the 29th day of September 2020,
at 214 Melbourne Street, North Adelaide

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

Opinion

In our opinion, the Council has complied, in all material respects, with Section 129(1)(b) of the *Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2019 to 30 June 2020.

Basis for opinion

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

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

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

The Council's Responsibility for the Internal Controls

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

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

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

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

Limitation on Use

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

Limitations of Controls

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

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

**DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS**

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

**SAMANTHA CRETEN
PARTNER**

Signed on the 29th day of September 2020
at 214 Melbourne Street, North Adelaide, South Australia, 5006

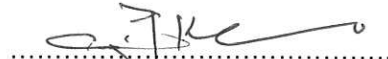
Naracoorte Lucindale Council
Annual Financial Statements
for the year ended 30 June 2020

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Naracoorte Lucindale Council for the year ended 30 June 2020, 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*.


.....
Trevor Smart
CHIEF EXECUTIVE OFFICER


.....
Jim Ker
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 22/9/20

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the Naracoorte Lucindale Council for the year ended 30 June 2020, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



SAMANTHA CRETEN

Partner

DEAN NEWBERY & PARTNERS

CHARTERED ACCOUNTANTS

Dated this 29 September 2020