

District Council of Orroroo Carrieton



DISTRICT COUNCIL OF
ORROROO/CARRIETON
Southern Flinders Ranges • Established 1997

General Purpose Financial Reports

For year ended 30 June 2016

District Council of Orreroo Carrieton
General Purpose Financial Reports
for the year ended 30 June 2016

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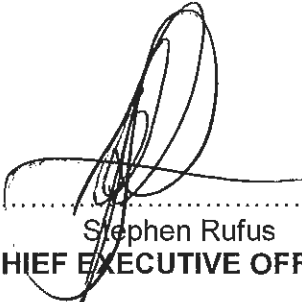
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DISTRICT COUNCIL OF ORROROO CARRIETON

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

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

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2016 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



.....
Stephen Rufus
CHIEF EXECUTIVE OFFICER



.....
Kathie Bowman
MAYOR/COUNCILLOR

Date: 22nd FEBRUARY 2017

District Council of Orroroo Carrieton
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
INCOME			
Rates	2	936	1,016
Statutory charges	2	15	12
User charges	2	210	149
Grants, subsidies and contributions	2	1,215	2,028
Investment income	2	19	32
Reimbursements	2	218	221
Other income	2	-	-
Total Income		2,613	3,459
EXPENSES			
Employee costs	3	1,115	1,083
Materials, contracts & other expenses	3	1,098	1,096
Depreciation, amortisation & impairment	3	933	1,339
Finance costs	3	55	67
Total Expenses		3,201	3,585
OPERATING SURPLUS / (DEFICIT)		(588)	(126)
Asset disposal & fair value adjustments	4	(113)	(189)
Amounts received specifically for new or upgraded assets	2	-	-
NET SURPLUS / (DEFICIT)		(701)	(315)
transferred to Equity Statement			(315)
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	3,349	-
Total Other Comprehensive Income		3,349	-
TOTAL COMPREHENSIVE INCOME		2,648	(315)

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

District Council of Orroroo Carrieton
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

ASSETS	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	5	1,082	1,386
Trade & other receivables	5	109	186
Inventories	5	10	6
Total Current Assets		<u>1,201</u>	<u>1,578</u>
Non-current Assets			
Financial assets	6	38	38
Infrastructure, property, plant & equipment	7	31,853	29,150
Other non-current assets	6	-	-
Total Non-current Assets		<u>31,891</u>	<u>29,188</u>
Total Assets		<u>33,092</u>	<u>30,766</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	130	164
Borrowings	8	139	165
Provisions	8	635	693
Total Current Liabilities		<u>904</u>	<u>1,022</u>
Non-current Liabilities			
Borrowings	8	440	634
Provisions	8	12	22
Total Non-current Liabilities		<u>452</u>	<u>656</u>
Total Liabilities		<u>1,356</u>	<u>1,678</u>
NET ASSETS		<u>31,736</u>	<u>29,088</u>
EQUITY			
Accumulated Surplus		1,334	2,035
Asset Revaluation Reserves	9	30,402	27,053
TOTAL EQUITY		<u>31,736</u>	<u>29,088</u>

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

District Council of Orroroo Carrieton
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Accumulated Surplus	Asset Revaluation Reserve	TOTAL EQUITY
2016	\$'000	\$'000	\$'000
Balance at end of previous reporting period	2,350	27,053	29,088
Adjustment to give effect to changed accounting policies			-
Restated opening balances	<u>2,035</u>	<u>27,053</u>	<u>29,088</u>
Net Surplus / (Deficit) for Year	(701)	-	(701)
Other Comprehensive Income			
Gain on revaluation of infrastructure, property, plant & equipment		3,349	3,349
Balance at end of period	<u>1,334</u>	<u>30,402</u>	<u>31,736</u>
2015			
Balance at end of previous reporting period	2,350	27,053	29,403
Net Surplus / (Deficit) for Year	(315)	-	(315)
Balance at end of period	<u>2,035</u>	<u>27,053</u>	<u>29,088</u>

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

District Council of Orroroo Carrieton
STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		986	994
Fees & other charges		16	12
User charges		253	318
Investment receipts		19	36
Grants utilised for operating purposes		1,306	2,028
Reimbursements		240	221
<u>Payments</u>			
Employee costs		(1,157)	(1,107)
Materials, contracts & other expenses		(1,283)	(954)
Finance payments		(64)	(227)
Net Cash provided by (or used in) Operating Activities	10	316	1,322
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Sale of replaced assets		110	-
Repayments of loans by community groups			44
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(510)	(680)
Expenditure on new/upgraded assets			(338)
Net Cash provided by (or used in) Investing Activities		(400)	(974)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Repayments of borrowings		(220)	(226)
Net Cash provided by (or used in) Financing Activities		(220)	(226)
Net Increase (Decrease) in cash held		(304)	122
Cash & cash equivalents at beginning of period	5	1,386	1,264
Cash & cash equivalents at end of period	5	1,082	1,386

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 22 February 2017.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

2. The Local Government Reporting Entity

The District Council of Orroroo Carrieton is incorporated under the SA Local Government Act 1999 and has its principal place of business at 17 Second St Orroroo. 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.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports.

3. Income recognition

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

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

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont)

	Cash Payment Received	Annual Allocation	Difference	
2014/15	\$1,869,925	\$1,236,389	+	\$633,536
2015/16	\$593,749	\$1,227,285	-	\$633,536

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.

The actual amounts of untied grants received during the reporting periods (including the advance allocations) are disclosed in Note 2.

3.1 Construction Contracts

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

4. Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of 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.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

5. Inventories

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

6. Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont)

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

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. 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.

6.4 Depreciation of Non-Current Assets

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

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

6.5 Impairment

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

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable assumption is made that the current replacement cost exceeds the original cost of acquisition.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont)

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

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs".

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

9. Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) 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 oncosts) 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.

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

9.2 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 16.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (cont)

10. GST Implications

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

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

11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been used in preparing these reports.

- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*

(Standards not affecting local government have been excluded from the above list.)

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

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

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 2 - INCOME

		2016	2015
Notes	\$'000	\$'000	
RATES REVENUES			
<u>General Rates</u>		794	753
Less: Mandatory rebates		(8)	(10)
Less: Discretionary rebates, remissions & write offs		(3)	(3)
		783	740
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		26	25
Waste collection		124	246
Water supply		7	7
		157	278
<u>Other Charges</u>			
Penalties for late payment		6	7
Legal & other costs recovered			
		6	7
Less: Discretionary rebates, remissions & write offs		(10)	(9)
		936	1,016
STATUTORY CHARGES			
Development Act fees		11	8
Town planning fees			1
Animal registration fees & fines		4	3
		15	12
USER CHARGES			
Cemetery/crematoria fees		9	6
Swimming pool fees		16	14
Plant hire		*	*
Cropping		20	18
Hall & equipment hire		4	2
Rental Charges		13	15
Sales - general		22	8
Sundry		126	86
		210	149
INVESTMENT INCOME			
Local Government Finance Authority		19	32
		19	32

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

NOTE 2 - INCOME (cont')

		2016	2015
	Notes	\$'000	\$'000
REIMBURSEMENTS			
- for private works		218	221
		218	221
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		-	-
Financial Assistance Grants - General		492	1,474
Financial Assistance Grants - Local Roads		101	396
Roads to Recovery		604	100
Sports & Recreation		0	20
Other grants, subsidies and contributions		18	38
		1,215	2,028
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		603	100
State government		612	1,928
		1,215	2,028

Conditions over grants & contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

<i>Unexpended at the close of the previous reporting period</i>	-	-
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>Roads Infrastructure</i>	-	-
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	-	-

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3 - EXPENSES

	Notes	2016 \$'000	2015 \$'000
EMPLOYEE COSTS			
Salaries and Wages		924	925
Employee leave expense		148	152
Superannuation - defined contribution plan contributions	16	99	75
Workers' Compensation Insurance		56	37
Other		3	10
Less: Capitalised and distributed costs		(115)	(116)
Total Operating Employee Costs		1,115	1,083
 Total Number of Employees		 11	 12
<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		41	31
Bad and Doubtful Debts		-	-
Elected members' expenses		63	84
Operating Lease Rentals - cancellable leases		35	8
Subtotal - Prescribed Expenses		139	122
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		396	332
Vehicle Repairs Maintenance		141	156
Freight		4	5
Legal Expenses		30	51
Other Contractual Services		25	33
Electricity		36	40
Minor Equipment		50	29
Computer Hardware / Software		45	87
Water & Sewerage & Gas		56	50
Uniforms Clothing/Protective Clothing		6	7
Office Consumables		13	5
General Maintenance Materials		200	201
Conferences/Seminars Training		17	10
Travel & Accommodation		4	3
Subsidies/Membership Fees		32	30
Telephone		20	18
Printing		15	12
Insurance		124	89
Vehicle Registration		22	23
Grants To Outside Bodies		23	26
Other Expenses		70	59

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3 - EXPENSES (cont')

	Notes	2016 \$'000	2015 \$'000
Maintenance		*	*
Legal Expenses		*	*
Levies paid to government - NRM levy		25	25
Professional services		*	*
Sundry		*	*
Less Amounts Capitalised		(395)	(317)
Subtotal - Other Materials, Contracts & Expenses		959	974
		1,098	1,096

DEPRECIATION, AMORTISATION & IMPAIRMENT

Depreciation

Buildings & Other Structures		135	127
Infrastructure (inc roads)		657	836
Plant & Equipment		121	216
Other Assets		20	160
		933	1,339

FINANCE COSTS

Interest on Loans		55	67
		55	67

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2016 \$'000	2015 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		110	-
Less: Carrying amount of assets sold or disposed of		223	189
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		(113)	(189)

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 5 - CURRENT ASSETS

	Notes	2016 \$'000	2015 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		153	114
Deposits at Call		929	1,272
		1,082	1,386
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		128	178
Accrued Revenues		4	4
Debtors - general		37	59
Prepayments		-	-
Sundry		-	-
Total		169	241
Less: Allowance for Doubtful Debts		60	55
		109	186
 INVENTORIES			
Stores & Materials		10	6
		10	6

Note 6 - NON-CURRENT ASSETS

	Notes	2016 \$'000	2015 \$'000
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		38	38
TOTAL FINANCIAL ASSETS		38	38
 OTHER NON-CURRENT ASSETS			
Inventories			
Capital Works-in-Progress		-	-
		-	-

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

		2015 \$'000				2016 \$'000			
	FV Level	Fair Value	Cost	Acc' Depn	Carry Amt	Fair Value	Cost	Acc' Depn	Carry Amt
Land	2	-	641	-	641	465		-	465
Land	3					1,361			1,361
Buildings & Other Structures	3	-	4,440	(1,915)	2,525	9,014	28	(6,004)	3,038
Infrastructure (inc roads)	3	34,063	2,261	(11,647)	24,677	36,045	435	(10,481)	25,999
Plant & Equipment		-	3,453	(2,195)	1,258	-	3,243	(2,316)	927
Other Assets		-	589	(540)	49	-	623	(560)	63
TOTAL		34,063	11,384	(16,297)	29,150	46,885	4,329	(19,361)	31,853
Comparatives		34,063	10,896	(15,330)	29,629	34,063	11,384	(16,297)	29,150

	2015 \$'000 Carry Amt	CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000							2016 \$'000 Carry Amt	
		Additions		Disposal	Depn	Impair	Transfers			Net Reval
		New	Renewals				In	Out		
Land	641	-	-	-	-	-	(1,361)	1,185	465	
Land						1,361			1,361	
Buildings & Other Structures	2,525		28		(135)	-	-	619	3,038	
Infrastructure (inc roads)	24,677	-	435		(657)	-	-	1,545	25,999	
Plant & Equipment	1,258		13	(223)	(121)	-	-	-	927	
Other Assets	49	-	34	-	(20)	-	-	-	63	
TOTAL	29,150		510	(223)	(933)	-	1,361	(1,361)	3,349	
Comparatives		26,629	338	(189)	(1,139)	-	-	-	29,150	

This Note continues on the following pages.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

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.

Transition to AASB 13:

The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013.

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.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

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

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.

Land & Land Improvements

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

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

These assets were revalued as at 1 July 2015 by Maloney Field Services.

Buildings & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values. However, special purpose buildings (such as public toilets) for which there are no market are valued at depreciated current replacement cost. Buildings which Council does not intend to replace at the end of their useful life are valued at the market value of the "highest and best" use. These assets were revalued as at 1 July 2015 by Maloney Field Services.

Infrastructure

Transportation assets were revalued by Tonkins Consulting at depreciated current replacement cost with the subsequent changes brought to account as at 1 July 2015. All acquisitions made after the date of valuation are recorded at cost.

Plant & Equipment

These assets are recognised on the cost basis.

Furniture & Fittings

These assets are recognised on the cost basis.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 8 - LIABILITIES

	Notes	2016 \$'000		2015 \$'000	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		93	-	137	-
Accrued expenses - employee entitlements		31	-	18	-
Accrued expenses - other		6	-	9	-
Other		-	-	-	-
		130	-	164	-
BORROWINGS					
Loans		139	440	165	634
		139	440	165	634
PROVISIONS					
Employee entitlements (including oncosts)		267	12	312	22
Other		368	-	381	-
		635	12	693	22

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016
Note 9 - RESERVES

ASSET REVALUATION RESERVE		1/7/2015	Net Increments (Decrements)	Transfers, Impairments	30/6/2016
	Notes	\$'000	\$'000	\$'000	\$'000
Land		-	1,185	-	1,185
Buildings & Other Structures			619		619
Roads		27,053	1,545		28,598
TOTAL		27,053	3,349		30,402
	Comparatives	27,053		-	27,053

PURPOSES OF RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2016 \$'000	2015 \$'000
Total cash & equivalent assets	5	<u>1,082</u>	<u>1,386</u>
Balances per Cash Flow Statement		<u>1,082</u>	<u>1,386</u>

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

Net Surplus (Deficit)		(701)	(315)
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		933	1,339
Net increase (decrease) in unpaid employee benefits		(42)	(24)
Change in allowances for under-recovery		5	-
Grants for capital acquisitions treated as Investing Activity		-	0
Net (Gain) Loss on Disposals		113	189
		<u>308</u>	<u>1,189</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		72	154
Net (increase) decrease in inventories		(4)	18
Net (increase) decrease in other current assets		-	-
Net increase (decrease) in trade & other payables		(47)	(19)
Net increase (decrease) in other provisions		(13)	(20)
Net Cash provided by (or used in) operations		<u>316</u>	<u>1,322</u>

(c) Financing Arrangements

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

Corporate Credit Cards	1	1
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District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 11 - 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)		
2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	
Business Undertaking	539	714	-	-	539	714	-	-	165	153
Community Services	190	252	370	414	(179)	(162)	-	-	991	921
Culture	1	1	18	20	(17)	(19)	-	-	-	-
Economic Development	4	5	50	56	(46)	(51)	-	-	-	-
Environment	45	59	21	24	23	35	-	-	1,067	992
Recreation	13	17	199	223	(186)	(206)	18	20	464	431
Regulatory Services	10	13	35	39	(25)	(26)	-	-	-	-
Transport & Communication	1,103	1,460	1,025	1,148	78	312	705	496	27,052	25,152
Plant Hire & Depot/Indirect	301	398	255	286	45	112	-	-	-	-
Unclassified Activities	385	510	893	1,000	(508)	(491)	-	-	-	-
Council Administration	23	30	335	375	(312)	(345)	492	1,512	3,353	3,117
TOTALS	2,613	3,459	3,201	3,585	(588)	(126)	1,215	2,028	33,092	30,766

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 11 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Business Undertakings

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

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Nursing Homes, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centres, Children and Youth Services, community Assistance, Community Transport, Family and Neighbourhood Support, Other Community Support, Community Amenities, Bus Shelters, Cemeteries / Crematoria, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

Culture

Library Services, Mobile Libraries and Housebound Services, Static Libraries, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

Economic Development

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

Environment

Agricultural Services, Agricultural Water, Animal/Plant Boards, Land care, Other Agricultural Services, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Other Environment, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Street scaping, Natural Resource Management Levy, and Other Environment.

Recreation

Jetties, Other Marine Facilities, Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Indoor, Swimming Centres – Outdoor, and Other Recreation.

Regulatory Services

Dog and Cat Control, Building Control, Town Planning, Clean Air/Pollution Control, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

Transport

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

Plant Hire & Depot

Council Administration

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 12 - 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: Carried at lower of cost and net realiseable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rate at 2% (2015: 2.5%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment) Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 2% (2015: 2%) 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: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable semi annually; interest is charged at variable rates between 5.05% and 8.27% (2015: 5.05% and 8.27%)</p> <p>Carrying amount: approximates fair value.</p>

District Council of Orroroo Carrieton

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

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows \$'000	Carrying Values \$'000
Financial Assets					
Cash & Equivalents	1,082	-	-	1,082	1,082
Receivables	79	-	-	79	79
Other Financial Assets		-	-	-	-
Total	1,161	-	-	1,161	1,161
Financial Liabilities					
Payables	93	-	-	93	93
Current Borrowings	171	-	-	171	139
Non-Current Borrowings		494	-	494	440
Total	264	494	-	758	672
2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows \$'000	Carrying Values \$'000
Financial Assets					
Cash & Equivalents	1,386	-	-	1,386	1,386
Receivables	186	-	-	186	101
Other Financial Assets		-	-	-	-
Total	1,572	-	-	1,572	1,487
Financial Liabilities					
Payables	137	-	-	137	137
Current Borrowings	207	-	-	207	165
Non-Current Borrowings		528	192	720	634
Total	344	528	192	1,064	936

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate %	Carrying Value \$'000	Weighted Average Interest Rate %	Carrying Value \$'000
Fixed Interest Rates	5.55	579	5.72%	799
		579		799

District Council of Orroroo Carrieton

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

Note 12 (cont) - FINANCIAL INSTRUMENTS

Net Fair Value

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

Risk Exposures

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

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

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

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

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 13 - FINANCIAL INDICATORS

2016 2015 2014

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

Operating Surplus Ratio

<u>Operating Surplus</u>	(23)%	(4%)	(36%)
Total operating revenue			

This ratio expresses the operating surplus as a percentage of Total Operating Revenue.

Adjusted Operating Surplus Ratio - (1)	2%	(22%)	(36%)
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*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of Financial Assistance Grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio – (1)** adjusts for the resulting distortion in the disclosed operating result for each year.*

Adjusted Operating Surplus Ratio – (2)	(13)%	(27%)	(36%)
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*In recent years the Federal Government has made available additional funding as part of the Roads to Recovery program in addition to the advance Financial Assistance Grants payments. The **Adjusted Operating Surplus Ratio – (2)** adjusts the Roads to Recovery and Financial Assistance Grants to reflect the “standard” annual allocations received and represents the base underlying position.*

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	5%	2%	8%
Total Operating Revenue			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	43%	51%	44%
Depreciation	*	*	*

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.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 14 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis. All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2016	2015
	\$'000	\$'000
Income	2,613	3,459
<i>less</i> Expenses	<u>3,201</u>	<u>3,585</u>
Operating Surplus / (Deficit)	(588)	(126)
 <i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	510	680
Depreciation, Amortisation and Impairment	(933)	(1,339)
Proceeds from Sale of Replaced Assets	<u>(110)</u>	<u>-</u>
	(533)	(659)
 <i>less</i> Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>		338
Amounts received specifically for New and Upgraded Assets	-	-
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>-</u>	<u>-</u>
 Net Lending / (Borrowing) for Financial Year	 <u>(55)</u>	 <u>195</u>

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 15 – 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. Permanent and contract employees of the South Australian Local Government sector have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.5% in 2015/2016). 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 Trustee based on advice from the appointed Actuary. The rate is currently 6.3% of "superannuation" salary.

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

The Salarylink Fund is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, 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 Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. 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.

District Council of Orroroo Carrieton
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

**Note 16 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE
BALANCE SHEET**

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

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

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$38k (2015: \$38k) at reporting date.

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

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

5. CONTINGENT LIABILITIES

At the time of preparing these accounts there are no other known contingent liabilities to consider other than those raised above.

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Aaron Coonan CA
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF ORROROO CARRIETON

Report on the Financial Report

We have audited the accompanying financial report of the District Council of Orroroo Carrieton (the Council), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the District Council of Orroroo Carrieton.

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 and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Basis for Qualified Opinion

The auditor's report for the year ended 30 June 2015 was qualified as the auditors were unable to form an opinion on the carrying value of roads and infrastructure of \$24.68M. We were unable to obtain any alternative evidence regarding these amounts, and consequently the previous qualification continues to apply to the comparative data for the carrying value of roads and infrastructure assets held at 30 June 2015.

Council has undertaken significant work in relation to determining appropriate carrying values for roads and infrastructure assets as at 30 June 2016, including but not limited to the performance of a revaluation. As a result, our qualified opinion does not impact the carrying value of roads and infrastructure assets held at 30 June 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects, the financial position of the District Council of Orroroo Carrieton as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Prior year qualification

We draw attention to the fact the financial report of the District Council of Orroroo Carrieton for the year ended 30 June 2015 was audited by a different audit firm who expressed a qualified opinion on the financial report on 25 May 2016.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

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Partner

08 / 05 / 2017

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF ORROROO CARRIETON

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE DISTRICT COUNCIL OF ORROROO CARRIETON

We have audited the compliance of the District Council of Orroroo Carrieton (the Council) with the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2015 to 30 June 2016 have been conducted properly and in accordance with law.

The Council's Responsibility for Internal controls

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

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 Compliance Engagements, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2015 to 30 June 2016. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

Limitation of Use

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

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 internal 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.

Independence

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

Qualification

The characteristics of the Council may at times require procurement strategies that are not consistent with leading practice. For example, it may at times be impractical or not possible to obtain the desired number of quotes for work due to a limited number of suppliers being willing to service the region. In some instances during the 2015/16 financial year, Council has not adequately documented the reasons for exemptions to preferred procurement strategies being adopted as required by Council policy.

The Council did not have formal mechanisms in place for the full financial year to ensure that a complete list of IT users' access rights to a number of finance system modules were reviewed by management. Furthermore, audit trails of changes to master files of those modules were not reviewed. As a result, there was a risk that unauthorised changes to these master files could potentially be made and not be detected, potentially compromising the integrity of data systems and records. The Council has since started reviewing the access rights within its finance system with appropriate segregation of duties to be established. In addition, a procedure of reviewing the audit trails of changes to master files is currently being investigated.

Processes were not in place for the full financial year to ensure that manual journal entries were formally authorised and independently reviewed. The Council has since established procedures to ensure that all manual journal entries are approved by Management.

Qualified Audit Opinion

In our opinion, except for the possible effects on the Internal Controls of the matter referred to in the qualification paragraph, the Council has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2015 to 30 June 2016.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA, Registered Company Auditor

Partner

08 / 05 / 2017

DISTRICT COUNCIL OF ORROROO CARRIETON

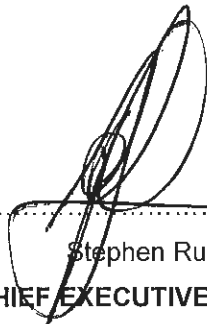
ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June 2016

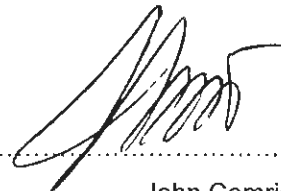
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of District Council of Orroroo Carrieton for the year ended 30 June 2016, the Council's Auditor, Galpins, 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 the Act.

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



Stephen Rufus
CHIEF EXECUTIVE OFFICER



John Comrie
AUDIT COMMITTEE CHAIRMAN