

DISTRICT COUNCIL OF CLEVE

General Purpose Financial Reports for the year ended 30 June 2013

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Council Certificate | 1 |
| Principal Financial Statements | |
| Statement of Comprehensive Income | 2 |
| Balance Sheet | 3 |
| Statement of Changes in Equity | 4 |
| Cash Flow Statement | 5 |
| Notes to, and forming part of, the Principal Financial Statements | |
| Note 1 - Significant Accounting Policies | 6 |
| Note 2 - Income | 11 |
| Note 3 - Expenses | 13 |
| Note 4 - Gain or Loss on Disposal of Assets | 14 |
| Note 5 - Current Assets | 15 |
| Note 6 - Non-Current Assets | 16 |
| Note 7 - Infrastructure, Property, Plant & Equipment & Investment Property | 17 |
| Note 8 - Liabilities | 20 |
| Note 9 - Reserves | 21 |
| Note 10 - Assets Subject to Restrictions | 22 |
| Note 11 - Reconciliation of Cash Flow Statement | 23 |
| Note 12 - Functions | 24 |
| Note 13 - Financial Instruments | 26 |
| Note 14 - Financial Indicators | 28 |
| Note 15 - Uniform Presentation of Finances | 29 |
| Note 16 - Superannuation | 30 |
| Note 17 - Assets & Liabilities not Recognised | 31 |
| Audit Report | |
| Council Certificate of Audit Independence | |
| Audit Certificate of Audit Independence | |

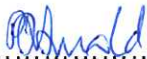
DISTRICT COUNCIL OF CLEVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013

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 2013 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.



.....
PETER ARNOLD
CHIEF EXECUTIVE OFFICER



.....
ROGER NIELD
MAYOR/COUNCILLOR

Date: 11-9-2013

DISTRICT COUNCIL OF CLEVE

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|--|-------|------------------|------------------|
| INCOME | | | |
| Rates | 2 | 2,384,778 | 2,239,948 |
| Statutory charges | 2 | 21,378 | 28,139 |
| User charges | 2 | 64,228 | 178,528 |
| Grants, subsidies and contributions | 2 | 1,416,493 | 1,870,007 |
| Investment income | 2 | 98,227 | 116,068 |
| Reimbursements | 2 | 118,138 | 101,423 |
| Other income | 2 | 56,438 | 58,233 |
| Total Income | | <u>4,159,680</u> | <u>4,592,346</u> |
| EXPENSES | | | |
| Employee costs | 3 | 1,307,228 | 1,199,503 |
| Materials, contracts & other expenses | 3 | 1,246,300 | 1,482,456 |
| Depreciation, amortisation & impairment | 3 | 1,053,115 | 1,491,153 |
| Finance costs | 3 | 28,864 | 12,660 |
| Total Expenses | | <u>3,635,507</u> | <u>4,185,772</u> |
| OPERATING SURPLUS / (DEFICIT) | | 524,173 | 406,574 |
| Asset disposal & fair value adjustments | 4 | 12,688 | 38,460 |
| Amounts received specifically for new or upgraded assets | 2 | 885,238 | 739,142 |
| NET SURPLUS / (DEFICIT) | | <u>1,422,098</u> | <u>1,184,176</u> |
| transferred to Equity Statement | | | |
| Other Comprehensive Income | | | |
| <i>Amounts which will not be reclassified subsequently to operating result</i> | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | 9 | 3,418,441 | - |
| Total Other Comprehensive Income | | <u>3,418,441</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>4,840,539</u> | <u>1,184,176</u> |

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

DISTRICT COUNCIL OF CLEVE

BALANCE SHEET
as at 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 3,057,883 | 2,913,752 |
| Trade & other receivables | 5 | 329,007 | 330,059 |
| Inventories | 5 | 15,249 | 17,839 |
| Total Current Assets | | <u>3,402,139</u> | <u>3,261,650</u> |
| Non-current Assets | | | |
| Financial assets | 6 | 50,680 | 103,990 |
| Infrastructure, property, plant & equipment | 7 | 38,242,788 | 33,729,103 |
| Other non-current assets | 6 | 675,835 | 236,397 |
| Total Non-current Assets | | <u>38,969,303</u> | <u>34,069,490</u> |
| Total Assets | | <u>42,371,442</u> | <u>37,331,140</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other payables | 8 | 430,229 | 526,088 |
| Borrowings | 8 | 191,219 | 40,894 |
| Provisions | 8 | 167,257 | 156,536 |
| Total Current Liabilities | | <u>788,705</u> | <u>723,518</u> |
| Non-current Liabilities | | | |
| Borrowings | 8 | 416,950 | 284,433 |
| Provisions | 8 | 37,055 | 34,996 |
| Total Non-current Liabilities | | <u>454,005</u> | <u>319,429</u> |
| Total Liabilities | | <u>1,242,710</u> | <u>1,042,947</u> |
| NET ASSETS | | <u>41,128,732</u> | <u>36,288,193</u> |
| EQUITY | | | |
| Accumulated Surplus | | 13,969,015 | 12,546,917 |
| Asset Revaluation Reserves | 9 | 27,159,717 | 23,741,276 |
| TOTAL EQUITY | | <u>41,128,732</u> | <u>36,288,193</u> |

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

DISTRICT COUNCIL OF CLEVE

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2013

| 2013 | Notes | Accumulated Surplus \$ | Asset Revaluation Reserve \$ | TOTAL EQUITY \$ |
|--|-------|------------------------------|---------------------------------------|-----------------------|
| Balance at end of previous reporting period | | 12,546,917 | 23,741,276 | 36,288,193 |
| Net Surplus / (Deficit) for Year | | 1,422,098 | - | 1,422,098 |
| Other Comprehensive Income | | | | |
| Gain on revaluation of infrastructure, property, plant & equipment | | - | 3,418,441 | 3,418,441 |
| Balance at end of period | | 13,969,015 | 27,159,717 | 41,128,732 |
| 2012 | | | | |
| Balance at end of previous reporting period | | 11,362,741 | 23,741,276 | 35,104,017 |
| Net Surplus / (Deficit) for Year | | 1,184,176 | - | 1,184,176 |
| Balance at end of period | | 12,546,917 | 23,741,276 | 36,288,193 |

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

DISTRICT COUNCIL OF CLEVE

CASH FLOW STATEMENT for the year ended 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|---|-------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Rates - general & other | | 2,358,273 | 2,209,013 |
| Fees & other charges | | 23,075 | 30,375 |
| User charges | | 99,596 | 117,704 |
| Investment receipts | | 100,079 | 127,800 |
| Grants utilised for operating purposes | | 1,522,730 | 1,907,407 |
| Reimbursements | | 129,952 | 111,565 |
| Other revenues | | 89,000 | 546,310 |
| <u>Payments</u> | | | |
| Employee costs | | (1,443,911) | (1,256,230) |
| Materials, contracts & other expenses | | (1,331,435) | (1,888,279) |
| Finance payments | | (28,463) | (10,988) |
| Net Cash provided by (or used in) Operating Activities | | 1,518,896 | 1,894,677 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Amounts specifically for new or upgraded assets | | 885,238 | 739,142 |
| Sale of replaced assets | | 99,545 | 42,668 |
| Sale of surplus assets | | 4,273 | - |
| Sale of real estate developments | | - | 40,000 |
| Repayments of loans by community groups | | 32,264 | 6,649 |
| <u>Payments</u> | | | |
| Expenditure on renewal/replacement of assets | | (1,145,910) | (1,029,116) |
| Expenditure on new/upgraded assets | | (1,093,579) | (1,325,029) |
| Development of real estate for sale | | (439,438) | (80,181) |
| Loans made to community groups | | - | (120,000) |
| Net Cash provided by (or used in) Investing Activities | | (1,657,607) | (1,725,867) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Proceeds from borrowings | | 362,000 | 120,000 |
| <u>Payments</u> | | | |
| Repayments of borrowings | | (79,158) | (22,870) |
| Net Cash provided by (or used in) Financing Activities | | 282,842 | 97,130 |
| Net Increase (Decrease) in cash held | | 144,131 | 265,940 |
| Cash & cash equivalents at beginning of period | 11 | 2,913,752 | 2,647,812 |
| Cash & cash equivalents at end of period | 11 | 3,057,883 | 2,913,752 |

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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*.

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

District Council of Cleve is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Main Street, Cleve. 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. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

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.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$334,037 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$694,195 and in June 2013, again two quarters of the 2013/14 allocation: \$690,289. Accordingly, in the reporting period ended 30 June 2012, Council's operating surplus was effectively understated by \$694,195.

It is anticipated that these amounts in advance will be adjusted at some future time, but details of the timing of this are not currently available. The total amounts to be adjusted at 30 June 2013 is \$690,289 (\$2012, \$694,195).

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

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 13.

5 Inventories

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

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

5.2 Other Real Estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

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.

6.6 Impairment

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

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.

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.

6.7 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

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.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

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.

10 GST Implications

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

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

11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2012 reporting period and have not been used in preparing these reports.

| | |
|----------|--|
| AASB 7 | Financial Instruments – Disclosures |
| AASB 9 | Financial Instruments |
| AASB 10 | Consolidated Financial Statements |
| AASB 11 | Joint Arrangements |
| AASB 12 | Disclosure of Interests in Other Entities |
| AASB 13 | Fair Value Measurement |
| AASB 119 | Employee Benefits |
| AASB 127 | Separate Financial Statements |
| AASB 128 | Investments in Associates and Joint Ventures |
| AASB 132 | Financial Instruments: Presentation |

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2011-7, AASB 2011-8, AASB 2011-10, AASB 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6 and AASB 2012-10.

(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.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 2 - INCOME

| | Notes | 2013 \$ | 2012 \$ |
|--|-------|------------|------------|
| RATES REVENUES | | | |
| <u>General Rates</u> | | 2,051,284 | 1,921,363 |
| Less: Mandatory rebates | | (26,415) | (29,594) |
| Less: Discretionary rebates, remissions & write offs | | (8,930) | (6,715) |
| | | 2,015,939 | 1,885,054 |
| <u>Other Rates</u> (including service charges) | | | |
| Natural Resource Management levy | | 66,340 | 63,180 |
| Waste collection | | 103,186 | 100,000 |
| Community wastewater management systems | | 194,180 | 183,960 |
| | | 363,706 | 347,140 |
| <u>Other Charges</u> | | | |
| Penalties for late payment | | 15,443 | 17,007 |
| | | 15,443 | 17,007 |
| Less: Discretionary rebates, remissions & write offs | | (10,310) | (9,253) |
| | | 2,384,778 | 2,239,948 |
| STATUTORY CHARGES | | | |
| Development Act fees | | 5,578 | 8,412 |
| Town planning fees | | 7,469 | 14,241 |
| Animal registration fees & fines | | 7,755 | 4,851 |
| Other licences, fees, & fines | | 576 | 635 |
| | | 21,378 | 28,139 |
| USER CHARGES | | | |
| Cemetery/crematoria fees | | 12,659 | 23,027 |
| Arno Bay Harbour Fees | | 24,145 | 122,182 |
| Sanitation & Garbage Fees | | 10,382 | 6,602 |
| Hall & equipment hire | | 3,962 | 7,255 |
| Sundry | | 13,081 | 19,462 |
| | | 64,228 | 178,528 |
| INVESTMENT INCOME | | | |
| Interest on investments | | | |
| Local Government Finance Authority | | 90,814 | 108,394 |
| Banks & other | | 1,086 | 2,152 |
| Loans to community groups | | 6,327 | 5,522 |
| | | 98,227 | 116,068 |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

NOTE 2 - INCOME (continued)

| | Notes | 2013 \$ | 2012 \$ |
|--|-------|------------------|------------------|
| REIMBURSEMENTS | | | |
| - for roadworks | | 40,909 | - |
| - for private works | | 18,318 | 23,417 |
| - other | | 58,911 | 78,006 |
| | | <u>118,138</u> | <u>101,423</u> |
| OTHER INCOME | | | |
| Rebates received | | 30,634 | 31,745 |
| Sundry | | 25,804 | 26,488 |
| | | <u>56,438</u> | <u>58,233</u> |
| GRANTS, SUBSIDIES, CONTRIBUTIONS | | | |
| Amounts received specifically for new or upgraded assets | | 885,238 | 739,142 |
| Other grants, subsidies and contributions | | 1,416,493 | 1,870,007 |
| | | <u>2,301,731</u> | <u>2,609,149</u> |
| <i>The functions to which these grants relate are shown in Note 2.</i> | | | |
| Sources of grants | | | |
| Commonwealth government | | 218,004 | 280,000 |
| State government | | 2,033,727 | 2,329,149 |
| Other | | 50,000 | - |
| | | <u>2,301,731</u> | <u>2,609,149</u> |
| 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> | | 200,000 | 200,000 |
| <i>Unexpended at the close of this reporting period</i> | | <u>200,000</u> | <u>200,000</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 3 - EXPENSES

| | Notes | 2013 \$ | 2012 \$ |
|--|-------|-------------------------|-------------------------|
| EMPLOYEE COSTS | | | |
| Salaries and Wages | | 1,110,636 | 1,039,243 |
| Employee leave expense | | 189,063 | 152,195 |
| Superannuation - defined contribution plan contributions | 16 | 79,848 | 76,734 |
| Superannuation - defined benefit plan contributions | 16 | 34,477 | 38,913 |
| Workers' Compensation Insurance | | 61,073 | 61,700 |
| Other | | 21,096 | 21,649 |
| Less: Capitalised and distributed costs | | <u>(188,965)</u> | <u>(190,931)</u> |
| Total Operating Employee Costs | | <u>1,307,228</u> | <u>1,199,503</u> |
| Total Number of Employees | | 22 | 20 |
| <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 | | 8,500 | 8,550 |
| Elected members' expenses | | 65,215 | 64,557 |
| Election expenses | | 493 | 483 |
| Subtotal - Prescribed Expenses | | <u>74,208</u> | <u>73,590</u> |
| <u>Other Materials, Contracts & Expenses</u> | | | |
| Contractors | | 240,349 | 552,977 |
| Energy | | 70,837 | 60,540 |
| Maintenance | | 94,051 | 132,299 |
| Legal Expenses | | 13,304 | 19,466 |
| Levies paid to government - NRM levy | | 65,375 | 65,640 |
| - Other Levies | | 9,976 | - |
| Parts, accessories & consumables | | 56,387 | - |
| Professional services | | 27,222 | 166,026 |
| Sundry | | 594,592 | 411,918 |
| Subtotal - Other Materials, Contracts & Expenses | | <u>1,172,093</u> | <u>1,408,866</u> |
| | | <u>1,246,300</u> | <u>1,482,456</u> |
| DEPRECIATION, AMORTISATION & IMPAIRMENT | | | |
| Depreciation | | | |
| Buildings & Other Structures | | 187,458 | 181,558 |
| Infrastructure | | 508,837 | 967,759 |
| Plant & Equipment | | 188,890 | 175,593 |
| Furniture & Fittings | | 19,300 | 19,027 |
| Community Wastewater Management Scheme | | 34,604 | 33,190 |
| Other Assets | | 114,026 | 114,026 |
| | | <u>1,053,115</u> | <u>1,491,153</u> |
| FINANCE COSTS | | | |
| Interest on Loans | | 28,864 | 12,660 |
| | | <u>28,864</u> | <u>12,660</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

| | 2013 | 2012 |
|---|----------------|---------------|
| Notes | \$ | \$ |
| INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | |
| <i>Assets renewed or directly replaced</i> | | |
| Proceeds from disposal | 99,545 | 42,668 |
| Less: Carrying amount of assets sold | 84,751 | 15,378 |
| Gain (Loss) on disposal | 14,794 | 27,290 |
| <i>Assets surplus to requirements</i> | | |
| Proceeds from disposal | 4,273 | - |
| Less: Carrying amount of assets sold | 6,379 | - |
| Gain (Loss) on disposal | (2,106) | - |
| REAL ESTATE DEVELOPMENT ASSETS | | |
| Proceeds from disposal | - | 40,000 |
| Less: Carrying amount of assets sold | - | 28,830 |
| Gain (Loss) on disposal | - | 11,170 |
| NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS | | |
| | 12,688 | 38,460 |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 5 - CURRENT ASSETS

| | Notes | 2013 | 2012 |
|--|-------|-------------------------|-------------------------|
| CASH & EQUIVALENT ASSETS | | \$ | \$ |
| Cash on Hand and at Bank | | 66,990 | 284,805 |
| Deposits at Call | | <u>2,990,893</u> | <u>2,628,947</u> |
| | | <u>3,057,883</u> | <u>2,913,752</u> |
| TRADE & OTHER RECEIVABLES | | | |
| Rates - General & Other | | 201,882 | 175,377 |
| Accrued Revenues | | 17,738 | 19,590 |
| Debtors - general | | 65,027 | 95,162 |
| GST Recoupment | | 13,953 | 30,569 |
| Loans to community organisations | | <u>30,407</u> | <u>9,361</u> |
| Total | | <u>329,007</u> | <u>330,059</u> |
| INVENTORIES | | | |
| Stores & Materials | | <u>15,249</u> | <u>17,839</u> |
| | | <u>15,249</u> | <u>17,839</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 6 - NON-CURRENT ASSETS

| | Notes | 2013 \$ | 2012 \$ |
|--|-------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Receivables | | | |
| Loans to community organisations | | 50,680 | 103,990 |
| | | <u>50,680</u> | <u>103,990</u> |
| OTHER NON-CURRENT ASSETS | | | |
| Inventories | | | |
| Real Estate Developments | | 675,835 | 236,397 |
| | | <u>675,835</u> | <u>236,397</u> |
| <i>Real Estate Developments - Current & Non-Current (Valued at the lower of cost and net realisable value)</i> | | | |
| <i>Residential</i> | | <u>675,835</u> | <u>236,397</u> |
| <i>Total Real Estate for Resale</i> | | <u>675,835</u> | <u>236,397</u> |
| <i>Represented by:</i> | | | |
| <i>Development Costs</i> | | <u>675,835</u> | <u>236,397</u> |
| <i>Total Real Estate for Resale</i> | | <u>675,835</u> | <u>236,397</u> |
| Apportionment of Real Estate Developments | | | |
| <i>Non-Current Assets</i> | | <u>675,835</u> | <u>236,397</u> |
| | | <u>675,835</u> | <u>236,397</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

| | 2012 | | | | 2013 | | | |
|--|-------------------|-------------------|---------------------|--------------------|-------------------|-------------------|---------------------|--------------------|
| | AT FAIR VALUE | AT COST | ACCUM DEPN | CARRYING AMOUNT | AT FAIR VALUE | AT COST | ACCUM DEPN | CARRYING AMOUNT |
| Land | 2,345,100 | - | - | 2,345,100 | 2,344,700 | - | - | 2,344,700 |
| Buildings & Other Structures | 8,163,682 | 1,448,938 | (3,224,410) | 6,388,210 | 8,163,681 | 1,445,233 | (3,279,967) | 6,328,947 |
| Infrastructure | 29,164,142 | 7,185,189 | (17,667,052) | 18,682,279 | 30,262,865 | - | (7,890,084) | 22,372,781 |
| Plant & Equipment | 881,010 | 1,476,386 | (903,137) | 1,454,259 | 881,011 | 1,875,773 | (1,008,778) | 1,748,006 |
| Furniture & Fittings | 64,924 | 111,045 | (89,067) | 86,902 | 64,924 | 122,549 | (108,367) | 79,106 |
| Community Wastewater Management | 527,391 | 1,197,753 | (132,066) | 1,593,078 | 1,375,319 | 1,564,201 | (857,666) | 2,081,854 |
| Other assets | 2,959,728 | 1,073,266 | (853,719) | 3,179,275 | 2,959,728 | 1,297,627 | (969,961) | 3,287,394 |
| TOTAL PROPERTY, PLANT & EQUIPMENT | 44,105,977 | 12,492,577 | (22,869,451) | 33,729,103 | 46,052,228 | 6,305,383 | (14,114,823) | 38,242,788 |
| Comparatives | 44,105,977 | 10,182,704 | (21,407,192) | 32,881,489 | 44,105,977 | 12,492,577 | (22,869,451) | 33,729,103 |

This Note continues on the following pages.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

| | 2012 \$ | CARRYING AMOUNT MOVEMENTS DURING YEAR | | | | | | 2013 \$ |
|--|-------------------|---------------------------------------|------------------|-----------------|--------------------|--------------------|--------------------|------------|
| | | Additions | | Disposals | Depreciation | Net Revaluation | CARRYING AMOUNT | |
| | | New/Upgrade | Renewals | | | | | |
| Land | 2,345,100 | - | - | (400) | - | - | 2,344,700 | |
| Buildings & Other Structures | 6,388,210 | 111,723 | 22,452 | (5,980) | (187,458) | - | 6,328,947 | |
| Infrastructure | 18,682,279 | 643,612 | 650,929 | - | (508,837) | 2,904,798 | 22,372,781 | |
| Plant & Equipment | 1,454,259 | 108,089 | 459,299 | (84,751) | (188,890) | - | 1,748,006 | |
| Furniture & Fittings | 86,902 | 8,010 | 3,494 | - | (19,300) | - | 79,106 | |
| Community Wastewater Managen | 1,593,078 | - | 9,737 | - | (34,604) | 513,643 | 2,081,854 | |
| Other | 3,179,275 | 222,145 | - | - | (114,026) | - | 3,287,394 | |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | 33,729,103 | 1,093,579 | 1,145,911 | (91,131) | (1,053,115) | 3,418,441 | 38,242,788 | |
| Comparatives | 32,881,489 | 1,325,029 | 1,029,116 | (15,378) | (1,491,153) | - | 33,729,103 | |

This Note continues on the following pages.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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

Valuation of Assets

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.19 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent additions at cost, this remains as the basis of recognition of non-material asset classes.

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset. Land is generally not depreciated.

Buildings & Other Structures

Buildings and other structures were valued at written down current replacement costs during the reporting period ended 30 June 2010 by Mr Gavin Halliday of Maloney Field Services. All acquisitions and additions made since the date of valuation are recorded at cost.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2013, based on actual costs incurred during the reporting periods ended 30 June 2011 and 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure was valued at depreciated current replacement cost during the reporting period ended 30 June 2013 by Mr Martin Oldfield, AAPI, of Maloney Field Services. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 8 - LIABILITIES

| | Notes | 2013 | | 2012 | |
|--|-------|----------------|-------------|----------------|-------------|
| | | Current | Non-current | Current | Non-current |
| TRADE & OTHER PAYABLES | | | | | |
| Goods & Services | | 188,075 | | 336,328 | |
| Payments received in advance | | - | | 387 | |
| Accrued expenses - employee entitlements | | 239,470 | | 187,090 | |
| Accrued expenses - other | | 2,684 | | 2,283 | |
| | | <u>430,229</u> | <u>-</u> | <u>526,088</u> | <u>-</u> |

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

99,356

113,967

BORROWINGS

| | | | | | |
|-------|--|----------------|----------------|---------------|----------------|
| Loans | | 191,219 | 416,950 | 40,894 | 284,433 |
| | | <u>191,219</u> | <u>416,950</u> | <u>40,894</u> | <u>284,433</u> |

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

PROVISIONS

| | | | | | |
|---|--|----------------|---------------|----------------|---------------|
| Employee entitlements (including oncosts) | | 167,257 | 37,055 | 156,536 | 34,996 |
| | | <u>167,257</u> | <u>37,055</u> | <u>156,536</u> | <u>34,996</u> |

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

117,240

120,536

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 9 - RESERVES

| ASSET REVALUATION RESERVE | 1/7/2012 | Net Increments (Decrements) | Transfers, Impairments | 30/6/2013 |
|---------------------------|----------|--------------------------------|---------------------------|-------------------|
| | Notes | \$ | \$ | \$ |
| Asset Revaluation Reserve | | 23,741,276 | 3,418,441 | 27,159,717 |
| TOTAL | | 23,741,276 | 3,418,441 | 27,159,717 |
| <i>Comparatives</i> | | <i>23,741,276</i> | | <i>23,741,276</i> |

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 CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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.

| | | 2013 | 2012 |
|--|-------|----------------|----------------|
| CASH & FINANCIAL ASSETS | Notes | \$ | \$ |
| Common Television Antenna (CATV) Re-transmission Service | | 68,071 | 54,883 |
| CWMS Arno Bay Feasibility Study | | 278,550 | 269,546 |
| Cleve CWMS | | 33,331 | - |
| | | <u>379,952</u> | <u>324,429</u> |
| TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS | | <u>379,952</u> | <u>324,429</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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 | 2013 \$ | 2012 \$ |
|----------------------------------|-------|------------------|------------------|
| Total cash & equivalent assets | 5 | <u>3,057,883</u> | <u>2,913,752</u> |
| Balances per Cash Flow Statement | | <u>3,057,883</u> | <u>2,913,752</u> |

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

| | | | |
|---|--|------------------|------------------|
| Net Surplus (Deficit) | | 1,422,098 | 1,184,176 |
| Non-cash items in Income Statement | | | |
| Depreciation, amortisation & impairment | | 1,053,115 | 1,491,153 |
| Net increase (decrease) in unpaid employee benefits | | 65,160 | (56,727) |
| Grants for capital acquisitions treated as Investing Activity | | (885,238) | (739,142) |
| Net (Gain) Loss on Disposals | | <u>(12,688)</u> | <u>(38,460)</u> |
| | | 1,642,447 | 1,841,000 |
| Add (Less): Changes in Net Current Assets | | | |
| Net (increase) decrease in receivables | | 22,098 | (63,839) |
| Net (increase) decrease in inventories | | 2,590 | 2,950 |
| Net increase (decrease) in trade & other payables | | <u>(148,239)</u> | <u>114,566</u> |
| Net Cash provided by (or used in) operations | | <u>1,518,896</u> | <u>1,894,677</u> |

(d) Financing Arrangements

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

| | | |
|------------------------|---------|---------|
| Bank Overdrafts | 150,000 | 150,000 |
| Corporate Credit Cards | 15,000 | 15,000 |

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 12 - FUNCTIONS

| INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|--------------------------------|----------------|------------------------------|------------------|---|-------------------|
| FUNCTIONS & ACTIVITIES | INCOME | | EXPENSES | | OPERATING SURPLUS (DEFICIT) | | GRANTS INCLUDED IN INCOME | | TOTAL ASSETS HELD (CURRENT & NON-CURRENT) | |
| | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | 2013 | 2012 | 2013 | 2012 |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | \$ | \$ | \$ | \$ |
| Administration | 3,397,787 | 3,595,963 | - | - | 3,397,787 | 3,595,963 | 422,614 | 1,213,752 | 7,597,304 | 6,818,804 |
| Public Order & Safety | 11,110 | 4,851 | 108,786 | 99,227 | (97,676) | (94,376) | - | - | 138,550 | 138,550 |
| Health | 615 | 1,717 | 10,116 | 6,138 | (9,502) | (4,421) | - | - | - | - |
| Housing & Community Services | 62,517 | 108,639 | 757,417 | 827,906 | (694,900) | (719,267) | 12,902 | 10,180 | 4,741,036 | 3,876,155 |
| Sport Recreation & Culture | 6,259 | 74,590 | 421,580 | 378,446 | (415,321) | (303,856) | 117,901 | 62,604 | 4,207,820 | 3,921,810 |
| Mining & Manufacture | 13,829 | 11,916 | 68,185 | 63,663 | (54,356) | (51,747) | - | - | - | - |
| Transport & Communication | 534,083 | 594,913 | 1,156,623 | 1,718,201 | (622,540) | (1,123,288) | 1,698,314 | 1,322,613 | 22,381,580 | 19,759,920 |
| Economic Affairs | 34,179 | 122,669 | 227,047 | 197,377 | (192,868) | (74,708) | - | - | 323,280 | 323,280 |
| Other Purposes | 58,785 | 54,364 | 477,528 | 477,877 | (418,743) | (423,513) | - | - | 2,981,872 | 2,492,621 |
| Governance | 435 | 1,503 | 376,015 | 454,803 | (375,579) | (453,300) | - | - | - | - |
| Support Services | 40,081 | 21,221 | 30,391 | (37,866) | 9,690 | 59,087 | - | - | - | - |
| Social Security & Welfare | - | - | 1,820 | - | (1,820) | - | - | - | - | - |
| TOTALS | 4,159,680 | 4,592,346 | 3,635,507 | 4,185,772 | 524,173 | 406,574 | 2,251,731 | 2,609,149 | 42,371,442 | 37,331,140 |

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 CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Administration

Revenues, Local Government Grants Commission – General Purpose, and Separate and Special Rates.

Public Order & Safety

Public Order and Safety, Crime Prevention, Emergency Services, Fire Protection, Telecommunications Networks, and Other Community Amenities. Dog and Cat Control.

Health

Hospital and Health Centre, Pest Animal and Insect Control, Immunisations, Preventive Health Services, Health Inspections, Other Health Services.

Housing & Community Services

Sewerage/CWMS Systems, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facilities, Other Waste Management, Cemeteries/Crematoria, Public Conveniences, Town Planning, Street Cleaning, Street Lighting, Other Housing and Community Services.

Sport Recreation and Culture

Library Services, Cultural Venues, Heritage, Museums, the Arts, Jetty, Boat Ramp, Other Marine Facilities, Parks and Gardens, Sports Centres, Swimming Pools, Skate Park, and Other Sport, Recreational or Cultural Facilities and Services.

Mining & Manufacturing

Administration of the Development Act (Building), Quarries and Drilling, Other Mining, Manufacturing and Construction.

Transport & Communications

Aerodrome, Bridges, Bus Service, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, Storm Water Drainage, On Street Parking, Local Government Grants Commission – roads (formula funded), and Other Transport and Communications.

Economic Affairs

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development, Development of Land for Resale, Private Works, Marinas/Boat Havens, Caravan Park, Parking Off Street, Sale Yards.

Other Purposes N.E.C.

Loans, Plant and Machinery, Depot and Overhead Expenses, Vandalism, Pest Plants, Other Property and Services, Other General Purposes N.E.C.

Governance

Governance, Administration N.E.C., Elected Members, Organisational/Corporate.

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.

Social Security & Welfare

Senior Citizen community events

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 2% and 4% (2012: 2% and 5%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p> |
| <p>Receivables - Rates & Associated Charges (including legals & penalties for late payment)</p> <p>Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p> | <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% (2012: 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> |
| Receivables - other levels of government | <p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p> |
| Receivables - Retirement Home Contributions | <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: 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> |
| 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 overstated for longer tenancies.</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 (describe basis); interest is charged at fixed (or variable - describe) rates between 5% and 7% (2012: 5% and 7%)</p> <p>Carrying amount: approximates fair value.</p> |
| Liabilities - Finance Leases | <p>Accounting Policy: accounted for in accordance with AASB 117.</p> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

| 2013 | Due < 1 year | Due > 1 year; ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
|------------------------------|------------------|----------------------------|---------------|------------------------------------|--------------------|
| Financial Assets | \$ | \$ | \$ | \$ | \$ |
| Cash & Equivalents | 3,057,883 | | | 3,057,883 | 3,057,883 |
| Receivables | 177,805 | | | 177,805 | 177,805 |
| Total | 3,235,688 | - | - | 3,235,688 | 3,235,688 |
| Financial Liabilities | | | | | |
| Payables | 878,364 | | | 878,364 | 188,075 |
| Current Borrowings | 191,219 | | | 191,219 | 191,219 |
| Non-Current Borrowings | | 382,501 | 34,449 | 416,950 | 416,950 |
| Total | 1,069,583 | 382,501 | 34,449 | 1,486,533 | 796,244 |
| 2012 | Due < 1 year | Due > 1 year; ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
| Financial Assets | \$ | \$ | \$ | \$ | \$ |
| Cash & Equivalents | 2,913,752 | | | 2,913,752 | 2,913,752 |
| Receivables | 265,321 | | | 265,321 | 258,672 |
| Total | 3,179,073 | - | - | 3,179,073 | 3,172,424 |
| Financial Liabilities | | | | | |
| Payables | 336,715 | | | 336,715 | 336,715 |
| Current Borrowings | 33,974 | | | 33,974 | 40,894 |
| Non-Current Borrowings | | 291,353 | | 291,353 | 284,433 |
| Total | 370,689 | 291,353 | - | 662,042 | 662,042 |

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

| | 30 June 2013 | | 30 June 2012 | |
|----------------------|--------------------------------------|----------------|--------------------------------------|----------------|
| | Weighted Average Interest Rate | Carrying Value | Weighted Average Interest Rate | Carrying Value |
| | % | \$ | % | \$ |
| Overdraft | | | | |
| Other Variable Rates | 5 | 97,821 | 5.50 | 120,000 |
| Fixed Interest Rates | 5.2 | 510,348 | 6.13 | 205,327 |
| | | <u>608,169</u> | | <u>325,327</u> |

Net Fair Value

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

Risk Exposures

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 14 - FINANCIAL INDICATORS

| | 2013 | 2012 | 2011 |
|--|------|------|------|
|--|------|------|------|

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% | 19% | 34% |
| Rates - general & other less NRM levy | | | |

This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.

Adjusted Operating Surplus Ratio

| | | | |
|--|-----|----|-----|
| | 23% | 2% | 34% |
|--|-----|----|-----|

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 adjusts for the resulting distortion in the disclosed operating result for each year.

Net Financial Liabilities Ratio

| | | | |
|---------------------------------------|------|------|------|
| <u>Net Financial Liabilities</u> | -54% | -51% | -49% |
| Total Operating Revenue less NRM levy | | | |

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 (excluding NRM levy).

Asset Sustainability Ratio

| | | | |
|---|-----|-----|-----|
| <u>Net Asset Renewals</u> | 99% | 66% | 52% |
| Infrastructure & Asset Management Plan required expenditure | * | * | * |

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

Amounts shown above an asterisk () indicate that depreciation expense has been used as a proxy, pending finalisation of the Infrastructure & Asset Management Plan.*

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 15 - 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

| | 2013 \$ | 2012 \$ |
|---|-----------------------------|---------------------------|
| Income | 4,159,680 | 4,592,346 |
| <i>less</i> Expenses | <u>3,635,507</u> | <u>4,185,772</u> |
| Operating Surplus / (Deficit) | 524,172 | 406,574 |
| <i>less</i> Net Outlays on Existing Assets | | |
| Capital Expenditure on renewal and replacement of Existing Assets | 1,145,910 | 1,029,116 |
| <i>less</i> Depreciation, Amortisation and Impairment | 1,053,115 | 1,491,153 |
| <i>less</i> Proceeds from Sale of Replaced Assets | <u>99,545</u> | <u>42,668</u> |
| | (6,750) | (504,705) |
| <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> | 1,533,017 | 1,405,210 |
| <i>less</i> Amounts received specifically for New and Upgraded Assets | 885,238 | 739,142 |
| <i>less</i> Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i> | <u>4,273</u> | <u>80,000</u> |
| | 643,506 | 586,068 |
| Net Lending / (Borrowing) for Financial Year | <u>(112,584)</u> | <u>325,211</u> |

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 16 – 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 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% in 2012/13; 9% in 2011/12). 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% (6.3% in 2011/12) 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 section 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 CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 17 - 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.

At reporting date, Council controlled 1400 km of road reserves of average width 20 metres.

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 97,821 (2012 \$113,350) 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 notice of nil 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. "CARBON" TAX

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

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

Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2012. No liability has been recognised in these reports.



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF CLEVE

I have audited the accompanying financial report of the District Council of Cleve which comprises the balance sheet as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity, cash flow statement, summary of significant accounting policies, other explanatory notes and the certification of financial statement for the year ended 30 June 2013.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit I followed applicable independence requirements of Australian professional and ethical pronouncements and the Local Government Act 1999.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the District Council of Cleve as of 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011.

A handwritten signature in black ink, appearing to read 'Ian G McDonald'.

IAN G MC DONALD FCA
CHARTERED ACCOUNTANT
REGISTERED COMPANY AUDITOR

Liability limited by a scheme approved under Professional Standards Legislation

Signed 14 day of September 2013, at Eastwood, South Australia

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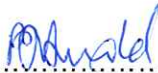
DISTRICT COUNCIL OF CLEVE

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2013**

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 Cleve for the year ended 30 June 2013, the Council's Auditor, Ian G McDonald, 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*.



.....
PETER ARNOLD
CHIEF EXECUTIVE OFFICER



.....
ROGER NIELD
PRESIDING MEMBER
AUDIT COMMITTEE

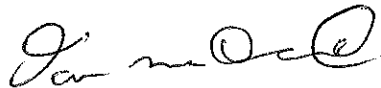
Date: 11.9.2013

DISTRICT COUNCIL OF CLEVE
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2013

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of District Council of Cleve for the year ended 30 June 2013, 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*.



Ian G McDonald FCA

Dated this *19* day of *August* 2013