

DISTRICT COUNCIL OF CLEVE

General Purpose Financial Reports for the year ended 30 June 2016

TABLE OF CONTENTS

	<u>Page</u>
Council Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	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 - Asset Disposal & Fair Value Adjustments	15
Note 5 - Current Assets	16
Note 6 - Non-Current Assets	17
Note 7 - Infrastructure, Property, Plant & Equipment & Investment Property	18
Note 8 - Liabilities	23
Note 9 - Reserves	24
Note 10 - Assets Subject to Restrictions	25
Note 11 - Reconciliation of Cash Flow Statement	26
Note 12 - Functions	27
Note 13 - Financial Instruments	29
Note 14 - Financial Indicators	31
Note 15 - Uniform Presentation of Finances	32
Note 16 - Superannuation	33
Note 17 - Assets & Liabilities not Recognised	34
Audit Report - Financial Statements	
Council Certificate of Audit Independence	
Audit Certificate of Audit Independence	


DISTRICT COUNCIL OF CLEVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

CERTIFICATION OF FINANCIAL STATEMENTS

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

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



.....
PETER ARNOLD
CHIEF EXECUTIVE OFFICER



.....
ROGER NIELD
MAYOR/COUNCILLOR

Date: 11 October 2016

DISTRICT COUNCIL OF CLEVE

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
INCOME			
Rates	2	3,028,976	2,892,253
Statutory charges	2	23,411	25,864
User charges	2	191,656	178,976
Grants, subsidies and contributions	2	638,314	2,045,370
Investment income	2	124,545	107,945
Reimbursements	2	101,756	185,414
Other income	2	88,158	176,757
Total Income		<u>4,196,816</u>	<u>5,612,579</u>
EXPENSES			
Employee costs	3	1,478,547	1,494,465
Materials, contracts & other expenses	3	1,184,837	1,526,591
Depreciation, amortisation & impairment	3	1,263,481	1,266,781
Finance costs	3	56,129	50,850
Total Expenses		<u>3,982,994</u>	<u>4,338,687</u>
OPERATING SURPLUS / (DEFICIT)		213,822	1,273,892
Asset disposal & fair value adjustments	4	(209,020)	20,166
Amounts received specifically for new or upgraded assets	2	2,099,546	807,091
NET SURPLUS / (DEFICIT)		<u>2,104,348</u>	<u>2,101,149</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	(765,429)	(2,436,615)
Impairment (expense) / recoupments offset to asset revaluation reserve	9	-	(333,754)
Total Other Comprehensive Income		<u>(765,429)</u>	<u>(2,770,369)</u>
TOTAL COMPREHENSIVE INCOME		<u>1,338,919</u>	<u>(669,220)</u>

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

DISTRICT COUNCIL OF CLEVE

STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,898,807	5,004,613
Trade & other receivables	5	381,350	305,154
Inventories	5	8,861	14,705
		<u>6,289,018</u>	<u>5,324,472</u>
Total Current Assets		<u>6,289,018</u>	<u>5,324,472</u>
Non-current Assets			
Financial assets	6	68,013	1,370
Infrastructure, property, plant & equipment	7	40,129,181	39,515,487
Other non-current assets	6	683,603	712,433
		<u>40,880,797</u>	<u>40,229,290</u>
Total Non-current Assets		<u>40,880,797</u>	<u>40,229,290</u>
Total Assets		<u>47,169,815</u>	<u>45,553,762</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	283,207	172,965
Borrowings	8	254,537	218,204
Provisions	8	462,729	421,291
		<u>1,000,473</u>	<u>812,460</u>
Total Current Liabilities		<u>1,000,473</u>	<u>812,460</u>
Non-current Liabilities			
Trade & Other Payables	8	-	-
Borrowings	8	962,983	864,895
Provisions	8	32,042	41,009
		<u>995,025</u>	<u>905,904</u>
Total Non-current Liabilities		<u>995,025</u>	<u>905,904</u>
Total Liabilities		<u>1,995,498</u>	<u>1,718,364</u>
NET ASSETS		<u>45,174,317</u>	<u>43,835,398</u>
EQUITY			
Accumulated Surplus		18,547,957	16,587,791
Asset Revaluation Reserves	9	26,092,009	26,857,438
Other Reserves	9	534,351	390,169
TOTAL EQUITY		<u>45,174,317</u>	<u>43,835,398</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 2016

2016	Note s	Accumulated Surplus \$	Asset Revaluation Reserve \$	Available for sale Financial \$	Other Reserves \$	TOTAL EQUITY \$
Balance at end of previous reporting period		16,587,791	26,857,438	-	390,169	40,391,852
Restated opening balance		16,587,791	26,857,438	-	390,169	40,391,852
Net Surplus / (Deficit) for Year		2,104,348				2,104,348
Other Comprehensive Income						
Gain on revaluation of infrastructure, property, plant & equipment			(765,429)			(765,429)
Transfers between reserves		(144,182)			144,182	-
Balance at end of period		18,547,957	26,092,009	-	534,351	41,730,771
2015						
Balance at end of previous reporting period		14,876,811	26,184,261	-	-	41,061,072
Restated opening balance		14,876,811	26,184,261	-	-	41,061,072
Net Surplus / (Deficit) for Year		2,101,149				2,101,149
Other Comprehensive Income						
Changes in revaluation surplus - infrastructure, property, plant & equipment			(2,436,615)			(2,436,615)
Impairment (expense) / recoupments offset to asset revaluation reserve			(333,754)			(333,754)
Net assets transferred - Council restructure			3,443,546			-
Transfers between reserves		(390,169)			390,169	-
Balance at end of period		16,587,791	26,857,438	-	390,169	40,391,852

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

DISTRICT COUNCIL OF CLEVE

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		2,991,526	2,881,415
Fees & other charges		25,211	25,924
User charges		219,195	191,864
Investment receipts		107,059	109,614
Grants utilised for operating purposes		638,314	2,045,370
Reimbursements		111,932	203,955
Other revenues		536,751	462,421
<u>Payments</u>			
Employee costs		(1,422,133)	(1,473,254)
Materials, contracts & other expenses		(1,584,135)	(2,023,997)
Finance payments		(80,909)	(22,186)
Net Cash provided by (or used in) Operating Activities		1,542,811	2,401,126
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		2,099,546	807,091
Sale of replaced assets		314,679	63,182
Sale of real estate developments		40,000	-
Repayments of loans by community groups		15,210	33,594
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,103,121)	(1,350,238)
Expenditure on new/upgraded assets		(2,074,352)	(775,296)
Development of real estate for sale		-	(6,171)
Loans made to community groups		(75,000)	-
Net Cash provided by (or used in) Investing Activities		(783,038)	(1,227,838)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		350,000	450,000
<u>Payments</u>			
Repayments of borrowings		(215,579)	(181,434)
Net Cash provided by (or used in) Financing Activities		134,421	268,566
Net Increase (Decrease) in cash held		894,194	1,441,854
Cash & cash equivalents at beginning of period	11	<u>5,004,613</u>	<u>3,562,759</u>
Cash & cash equivalents at end of period	11	<u>5,898,807</u>	<u>5,004,613</u>

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 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*.

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, SA 5640. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

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

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

District Council of Cleve

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

Note 1 - Significant Accounting Policies (cont)

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

	Cash Payment Received	Annual Allocation	Difference	
2013/14	\$642,558	\$1,332,847	+ / -	-\$690,289
2014/15	\$2,564,619	\$1,872,847	+ / -	\$691,772
2015/16	\$631,938	\$1,323,710	+ / -	-\$691,772

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.

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.

4 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.

4.1 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.

4.2 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 2016

Note 1 - Significant Accounting Policies (cont)

5 Infrastructure, Property, Plant & Equipment

5.1 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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 2016

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.

5.7 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.

6 Payables

6.1 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.

6.2 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.

7 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.

8 Employee Benefits

8.1 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.

Weighted average discount rate	5.43% (2015, 7.88%)
Weighted average settlement period	2.09 years (2015, 2.12 years)

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 2016

Note 1 - Significant Accounting Policies (cont)

8.2 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.

9 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.

10 Pending Accounting Standards

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

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

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

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

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

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

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 2 - INCOME

	Notes	2016 \$	2015 \$
RATES REVENUES			
<u>General Rates</u>		2,606,749	2,482,177
Less: Mandatory rebates		(28,642)	(27,733)
Less: Discretionary rebates, remissions & write offs		(12,622)	(12,105)
		2,565,485	2,442,339
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		71,180	71,711
Waste collection		152,102	144,550
Community wastewater management systems		226,102	215,040
Separate and Special Rates		7,626	12,612
		457,010	443,913
<u>Other Charges</u>			
Penalties for late payment		18,316	18,229
		18,316	18,229
Less: Discretionary rebates, remissions & write offs		(11,835)	(12,228)
		3,028,976	2,892,253
 STATUTORY CHARGES			
Development Act fees		5,280	7,288
Town planning fees		9,861	9,837
Health & Septic Tank Inspection fees		1,182	1,464
Animal registration fees & fines		7,088	7,275
		23,411	25,864
 USER CHARGES			
Cemetery/crematoria fees		22,325	14,129
Arno Bay Harbour Fees		24,399	21,867
Sanitation & Garbage Fees		115,733	112,554
Hall & equipment hire		5,257	3,268
Sundry		23,942	27,158
		191,656	178,976
 INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		122,926	104,761
Banks & other		95	44
Loans to community groups		1,524	3,140
		124,545	107,945
 REIMBURSEMENTS			
- for roadworks		173	-
- for private works		12,394	41,130
- other		89,189	144,284
		101,756	185,414

OTHER INCOME

Insurance & other recoupments - infrastructure, property, plant & equipment	5,966	3,244
Rebates received	34,477	29,930
Sundry	47,715	143,583
	<u>88,158</u>	<u>176,757</u>

GRANTS, SUBSIDIES, CONTRIBUTIONS

Amounts received specifically for new or upgraded assets	2,099,546	807,091
Other grants, subsidies and contributions		
Untied - Financial Assistance Grant	636,138	2,024,619
Library & Communications	676	651
Sundry	1,500	20,100
	<u>638,314</u>	<u>2,045,370</u>
	<u>2,737,860</u>	<u>2,852,461</u>

The functions to which these grants relate are shown in Note 12.

Sources of grants

Commonwealth government	763,341	267,091
State government	1,974,519	2,585,370
	<u>2,737,860</u>	<u>2,852,461</u>

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:

Unexpended at the close of the previous reporting period	268,946	289,650
Less: expended during the current period from revenues recognised in previous reporting periods		
CWMS Arno Bay	(101,757)	(27,746)
Subtotal	(101,757)	(27,746)
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
CWMS Arno Bay	4,885	7,042
Subtotal	4,885	7,042
Unexpended at the close of this reporting period	<u>172,074</u>	<u>268,946</u>
Net increase (decrease) in assets subject to conditions in the current reporting period	<u>(96,872)</u>	<u>(20,704)</u>

DISTRICT COUNCIL OF CLEVE

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

Note 3 - EXPENSES

	Notes	2016 \$	2015 \$
EMPLOYEE COSTS			
Salaries and Wages		1,295,763	1,224,860
Employee leave expense		198,241	189,883
Superannuation - defined contribution plan contributions	18	91,087	91,378
Superannuation - defined benefit plan contributions	18	34,861	34,500
Workers' Compensation Insurance		67,779	63,367
Other		25,726	23,671
Less: Capitalised and distributed costs		(234,910)	(133,194)
Total Operating Employee Costs		1,478,547	1,494,465
 Total Number of Employees		 23	 23
<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		20,850	8,500
Elected members' expenses		65,377	60,841
Election expenses		498	6,157
Subtotal - Prescribed Expenses		86,725	75,498
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		356,031	213,142
Energy		61,388	67,522
Maintenance		48,060	172,115
Legal Expenses		12,706	17,757
Levies paid to government - NRM levy		71,236	71,173
- Other Levies		21,924	21,583
Parts, accessories & consumables		85,948	46,903
Professional services		34,055	50,158
Sundry		406,764	790,740
Subtotal - Other Materials, Contracts & Expenses		1,098,112	1,451,093
		1,184,837	1,526,591

DISTRICT COUNCIL OF CLEVE

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

Note 3 - EXPENSES (cont)

	Notes	2016 \$	2015 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings		181,391	191,861
Infrastructure		693,633	651,604
Community Wastewater Management Scheme		54,135	54,135
Plant, Machinery & Equipment		278,507	237,664
Office Equipment, Furniture & Fittings		7,280	19,067
Other Assets		48,535	112,450
Impairment			
Building & Other Structures		-	333,754
		<u>1,263,481</u>	<u>1,600,535</u>
Less: Impairment expense offset to asset revaluation reserve	9	<u>1,263,481</u>	<u>(333,754)</u>
		<u>1,263,481</u>	<u>1,266,781</u>
FINANCE COSTS			
Interest on Loans		<u>56,129</u>	<u>50,850</u>
		<u>56,129</u>	<u>50,850</u>

DISTRICT COUNCIL OF CLEVE

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

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	2016	2015
Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	314,679	63,182
Less: Carrying amount of assets sold	534,869	43,016
Gain (Loss) on disposal	(220,190)	20,166
 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		
	(209,020)	20,166

DISTRICT COUNCIL OF CLEVE

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

Note 5 - CURRENT ASSETS

	2016	2015
	\$	\$
CASH & EQUIVALENT ASSETS		
Cash on Hand and at Bank	234,703	120,686
Deposits at Call	5,664,104	4,883,927
	<u>5,898,807</u>	<u>5,004,613</u>
TRADE & OTHER RECEIVABLES		
Rates - General & Other	218,776	196,687
Accrued Revenues	38,445	20,959
Debtors - general	13,749	22,122
GST Recoupment	44,025	21,926
Prepayments	39,614	9,866
Loans to community organisations	26,741	33,594
Total	381,350	305,154
INVENTORIES		
Stores & Materials	8,861	14,705
	<u>8,861</u>	<u>14,705</u>

DISTRICT COUNCIL OF CLEVE

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

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2016 \$	2015 \$
Receivables			
Loans to community organisations		68,013	1,370
TOTAL FINANCIAL ASSETS		68,013	1,370
OTHER NON-CURRENT ASSETS			
Inventories			
Real Estate Developments		683,603	712,433
		683,603	712,433
<i>Real Estate Developments - Current & Non-Current</i>			
<i>(Valued at the lower of cost and net realisable value)</i>			
<i>Residential</i>			
		683,603	712,433
Total Real Estate for Resale		683,603	712,433
<i>Represented by:</i>			
Development Costs		683,603	712,433
Total Real Estate for Resale		683,603	712,433
Apportionment of Real Estate Developments			
Current Assets		-	-
Non-Current Assets		683,603	712,433
		683,603	712,433

DISTRICT COUNCIL OF CLEVE

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2015				2016			
		\$				\$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	2,504,200	-	-	2,504,200	2,476,200	-	-	2,476,200
Buildings	2	8,209,637	9,417	(4,448,035)	3,771,019	5,764,500	13,226	(4,347,341)	1,430,385
Buildings	3	698,663	308,730	(1,007,393)	-	2,741,799	419,170	(1,076,994)	2,083,975
Infrastructure		34,919,126	3,964,648	(11,502,380)	27,381,394	35,283,784	6,496,711	(13,586,733)	28,193,762
Community Wastewater Management Scheme	3	2,081,855	857,665	(965,902)	1,973,618	2,081,855	857,665	(1,020,037)	1,919,483
Plant, Machinery & Equipment		-	3,423,816	(1,393,640)	2,030,176	-	3,615,215	(1,429,669)	2,185,546
Office Equipment, Furniture & Fittings		-	176,973	(119,009)	57,964	-	191,836	(126,289)	65,547
Other Assets	3	2,183,973	65,261	(452,118)	1,797,116	2,183,973	90,963	(500,653)	1,774,283
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		50,597,454	8,806,510	(19,888,477)	39,515,487	50,532,111	11,684,786	(22,087,716)	40,129,181
<i>Comparatives</i>		46,052,230	7,003,138	(15,028,795)	38,026,573	50,597,454	8,806,510	(19,888,477)	39,515,487

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 2016

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2015	CARRYING AMOUNT MOVEMENTS DURING YEAR							2016	
	\$	\$							\$	
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals	In				Out			
Land	2,504,200	-	-	(28,000)	-	-	-	-	-	2,476,200
Buildings	3,771,019	3,809	-	(189,515)	(111,790)	-	-	(2,043,138)	-	1,430,385
Buildings	-	79,933	30,507	-	(69,601)	-	2,043,138	-	-	2,083,975
Infrastructure	27,381,394	1,970,743	561,320	(260,635)	(693,633)	-	-	-	(765,429)	28,193,762
Community Wastewater Man	1,973,618	-	-	-	(54,135)	-	-	-	-	1,919,483
Plant, Machinery & Equipmen	2,030,176	375,300	115,296	(56,719)	(278,507)	-	-	-	-	2,185,546
Office Equipment, Furniture	57,964	14,863	-	-	(7,280)	-	-	-	-	65,547
Other Assets	1,797,116	18,865	6,837	-	(48,535)	-	-	-	-	1,774,283
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	39,515,487	2,463,513	713,960	(534,869)	(1,263,481)	-	2,043,138	(2,043,138)	(765,429)	40,129,181
<i>Comparatives</i>	38,026,573	775,296	1,350,238	(43,016)	(1,266,781)	(333,754)	3,443,546	-	(2,436,615)	39,515,487

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 2016

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

Valuation of Assets

General Valuation Principles

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13

Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

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

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

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

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

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

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

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

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

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

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

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

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000

District Council of Cleve

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

Note 7 – Property, Plant & Equipment (cont)

Artworks \$5,000

Estimated Useful Lives: Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	80 to 100 years
Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps & Telemetry	15 to 25 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

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. Land was revalued as at 1 July 2014 by Liquid Pacific Holdings Pty Ltd. Additions are recognised at cost.

Buildings

Buildings were revalued as at 1 July 2014 by Liquid Pacific Holdings Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

Infrastructure

Transportation assets were valued by Council officers and Gayler Professional Engineering Pty Ltd 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

CWMS infrastructure was valued at depreciated current replacement cost during the reporting period ended 30 June 2013 by Maloney Field Services. All acquisitions made after the respective dates of valuation are recorded at cost.

District Council of Cleve

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

Note 7 – Property, Plant & Equipment (cont)

Plant, Machinery & Equipment

These assets are recognised on the cost basis.

Office Equipment, Furniture & Fittings

These assets are recognised on the cost basis.

Other assets

All other assets was revalued as at 1 July 2014 by Liquid Pacific Holdings Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

DISTRICT COUNCIL OF CLEVE

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

Note 8 - LIABILITIES

	Notes	2016		2015	
		\$		\$	
TRADE & OTHER PAYABLES		Current	Non-current	Current	Non-current
Goods & Services		200,201	-	77,827	-
Payments received in advance		9,511	-	24,932	-
Accrued expenses - employee entitlements		56,884	-	32,941	-
Accrued expenses - other		16,611	-	37,265	-
		<u>283,207</u>	-	<u>172,965</u>	-
BORROWINGS					
Loans		254,537	962,983	218,204	864,895
		<u>254,537</u>	<u>962,983</u>	<u>218,204</u>	<u>864,895</u>
PROVISIONS					
Employee entitlements (including oncosts)		462,729	32,042	421,291	41,009
		<u>462,729</u>	<u>32,042</u>	<u>421,291</u>	<u>41,009</u>
<i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>		251,321		235,614	

DISTRICT COUNCIL OF CLEVE

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	\$	\$	\$	\$
Land	1,229,545		-	1,229,545
Buildings	4,000,000			4,000,000
Infrastructure	19,127,893	(765,429)		18,362,464
CWMS	1,500,000			1,500,000
Other Assets	1,000,000			1,000,000
TOTAL	26,857,438	(765,429)	-	26,092,009
<i>Comparatives</i>	<i>26,184,261</i>	<i>1,006,931</i>	<i>(333,754)</i>	<i>26,857,438</i>
 OTHER RESERVES	 1/7/2015	Transfers to Reserve	Transfers from Reserve	 30/6/2016
CATV Re-Transmission	91,866	11,113	-	102,979
Cleve CWMS	298,303	133,069	-	431,372
TOTAL OTHER RESERVES	390,169	144,182		534,351
<i>Comparatives</i>		<i>390,169</i>	<i>-</i>	<i>390,169</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).

(Other Reserves - LGFA)

The District Council of Cleve holds Other Reserve Accounts for specific purposes where income is generated for future expenditure, for example Common Waste Management Schemes and the Common Television Antenna Re-Transmission Service.

DISTRICT COUNCIL OF CLEVE

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

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

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

	Notes	2016 \$	2015 \$
CASH & FINANCIAL ASSETS			
Grant Funding for CWMS Arno bay Feasability Study		<u>173,804</u>	<u>268,946</u>
		<u>173,804</u>	<u>268,946</u>
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		<u>173,804</u>	<u>268,946</u>

DISTRICT COUNCIL OF CLEVE

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	Notes	2016 \$	2015 \$
Total cash & equivalent assets	5	5,898,807	5,004,613
Balances per Cash Flow Statement		<u>5,898,807</u>	<u>5,004,613</u>

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

Net Surplus (Deficit)		2,104,348	2,101,149
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		1,263,481	1,266,781
Net increase (decrease) in unpaid employee benefits		56,414	21,211
Grants for capital acquisitions treated as Investing Activity		(2,099,546)	(807,091)
Net (Gain) Loss on Disposals		<u>209,020</u>	<u>(20,166)</u>
		<u>1,533,717</u>	<u>2,561,884</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(83,049)	(50,956)
Net (increase) decrease in inventories		5,844	(4,004)
Net increase (decrease) in trade & other payables		<u>86,299</u>	<u>(105,798)</u>
Net Cash provided by (or used in) operations		<u>1,542,811</u>	<u>2,401,126</u>

(c) Financing Arrangements

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

Bank Overdrafts	150,000	150,000
Corporate Credit Cards	16,000	16,000
LGFA Cash Advance Debenture facility	420,000	420,000

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 2016

Note 12 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										
INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2016	2015	2016	2015	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Administration	2,622,539	3,646,265	18,261	-	2,604,278	3,646,265	1,367,504	1,444,914	8,132,321	7,996,319
Public Order & Safety	10,814	11,210	150,423	115,200	(139,609)	(103,990)	-	-	145,650	143,550
Health	1,218	1,499	16,044	17,305	(14,826)	(15,806)	-	-	-	-
Housing & Community Services	153,376	150,470	921,017	837,358	(767,641)	(686,888)	676	3,300	4,394,745	4,141,036
Sport Recreation & Culture	20,583	5,056	450,181	399,632	(429,598)	(394,576)	-	651	4,386,452	4,283,081
Mining & Manufacture	9,361	10,199	52,317	50,772	(42,956)	(40,573)	-	-	-	-
Transport & Communication	1,198,443	1,504,434	1,116,326	1,665,764	82,117	(161,330)	1,368,180	1,403,596	27,456,643	26,534,593
Economic Affairs	24,850	32,669	164,865	206,379	(140,015)	(173,710)	-	-	409,254	408,310
Other Purposes	126,988	207,489	616,325	603,771	(489,337)	(396,282)	1,500	-	2,244,750	2,046,873
Governance	860	-	420,630	421,963	(419,770)	(421,963)	-	-	-	-
Support Services	27,784	43,288	54,390	16,343	(26,606)	26,945	-	-	-	-
Social Security & Welfare	-	-	2,215	4,200	(2,215)	(4,200)	-	-	-	-
				-	-					
TOTALS	4,196,816	5,612,579	3,982,994	4,338,687	213,822	1,273,892	2,737,860	2,852,461	47,169,815	45,553,762

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 2016

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 2016

Note 13 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

<p>Bank, Deposits at Call, Short Term Deposits</p>	<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 0% and 2% (2015: 2% and 4%). Short term deposits have an average maturity of 24 hours and an average interest rate of 2% (2015: 24 hours, 2.36%).</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% (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>
<p>Receivables - Fees & other charges</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: 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>
<p>Receivables - other levels of government</p>	<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>
<p>Liabilities - Creditors and Accruals</p>	<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>
<p>Liabilities - Interest Bearing Borrowings</p>	<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 4% and 7% (2015: 4% and 7%)</p> <p>Carrying amount: approximates fair value.</p>
<p>Liabilities - Finance Leases</p>	<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 2016

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	5,911,807	-	-	5,911,807	5,898,807
Receivables	244,725	40,551	40,155	325,431	230,587
Total	6,156,532	40,551	40,155	6,237,238	6,129,394
Financial Liabilities					
Payables	183,963	-	-	183,963	209,712
Current Borrowings	309,976	-	-	309,976	254,537
Non-Current Borrowings	-	743,718	372,212	1,115,930	962,983
Total	493,939	743,718	372,212	1,609,869	1,427,232
2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	5,004,613	-	-	5,004,613	5,004,613
Receivables	108,467	1,370	-	109,837	109,837
Total	5,113,080	1,370	-	5,114,450	5,114,450
Financial Liabilities					
Payables	102,759	-	-	102,759	102,759
Current Borrowings	269,377	-	-	269,377	218,204
Non-Current Borrowings	-	696,990	349,144	1,046,134	864,895
Total	372,136	696,990	349,144	1,418,270	1,185,858

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate %	Carrying Value \$	Weighted Average Interest Rate %	Carrying Value \$
Other Variable Rates	4	19,754	4.25	34,964
Fixed Interest Rates	4.94	1,197,766	5.14	1,048,135
		<u>1,217,520</u>		<u>1,083,099</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 2016

Note 14 - FINANCIAL INDICATORS

	2016	2015	2014
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

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

Operating Surplus Ratio

<u>Operating Surplus</u>	5%	23%	(1%)
Total Operating Revenue			

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

Adjusted Operating Surplus Ratio

	22%	10%	26%
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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 adjusts for the resulting distortion in the disclosed operating result for each year.

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	(104%)	(64%)	(60%)
Total Operating Revenue			

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

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	75%	103%	86%
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.

DISTRICT COUNCIL OF CLEVE

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

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

	2016 \$	2015 \$
Income	4,196,816	5,612,579
<i>less</i> Expenses	<u>3,982,994</u>	<u>4,338,687</u>
Operating Surplus / (Deficit)	213,822	1,273,892
<i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	1,103,121	1,350,238
Depreciation, Amortisation and Impairment	(1,263,481)	(1,266,781)
Proceeds from Sale of Replaced Assets	<u>(314,679)</u>	<u>(63,182)</u>
	(475,039)	20,275
<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>	2,074,352	781,467
Amounts received specifically for New and Upgraded Assets	(2,099,546)	(807,091)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>(40,000)</u>	<u>-</u>
	(65,194)	(25,624)
Net Lending / (Borrowing) for Financial Year	<u>754,055</u>	<u>1,279,241</u>

DISTRICT COUNCIL OF CLEVE

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

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 the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2015/16; 9.50% in 2014/15). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2014/15) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

DISTRICT COUNCIL OF CLEVE

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

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 1,560 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 \$94,754 (2015: \$34,964) 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF CLEVE

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

The Responsibility of the Chief Executive Officer for the Financial Report

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

Auditor's Responsibility

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

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

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

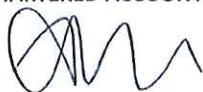
Independence

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

Auditor's Opinion

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

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



SAMANTHA ALLARD
PARTNER

Signed on the 2nd day of November 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

DISTRICT COUNCIL OF CLEVE

**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 Cleve for the year ended 30 June 2016, the Council's Auditor, Dean Newbery & Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



.....
**PETER ARNOLD
CHIEF EXECUTIVE OFFICER**



.....
**ROGER NIELD
PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 11 October 2016

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the Corporation of the District Council of Cleve for the year ended 30 June 2016, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



Samantha Allard

Partner

DEAN NEWBERY & PARTNERS

CHARTERED ACCOUNTANTS

Dated this 2nd day of November 2016