

DISTRICT COUNCIL OF CLEVE

General Purpose Financial Reports for the year ended 30 June 2012

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DISTRICT COUNCIL OF CLEVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 2012 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

Date: 12 September 2012

DISTRICT COUNCIL OF CLEVE

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 \$	2011 \$
INCOME			
Rates	2	2,239,948	2,133,062
Statutory charges	2	28,139	29,115
User charges	2	178,528	56,917
Grants, subsidies and contributions	2	1,870,007	1,624,718
Investment income	2	116,068	131,975
Reimbursements	2	101,423	55,000
Other income	2	58,233	123,003
Total Income		<u>4,592,346</u>	<u>4,153,790</u>
EXPENSES			
Employee costs	3	1,199,503	1,194,398
Materials, contracts & other expenses	3	1,482,456	1,235,497
Depreciation, amortisation & impairment	3	1,491,153	1,015,739
Finance costs	3	12,660	14,947
Total Expenses		<u>4,185,772</u>	<u>3,460,581</u>
OPERATING SURPLUS / (DEFICIT)		406,574	693,209
Asset disposal & fair value adjustments	4	38,460	13,926
Amounts received specifically for new or upgraded assets	2	739,142	1,205,975
NET SURPLUS / (DEFICIT)		<u>1,184,176</u>	<u>1,913,110</u>
transferred to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	1,365,405
Total Other Comprehensive Income		-	1,365,405
TOTAL COMPREHENSIVE INCOME		<u>1,184,176</u>	<u>3,278,515</u>

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

DISTRICT COUNCIL OF CLEVE

**BALANCE SHEET
as at 30 June 2012**

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,913,752	2,647,812
Trade & other receivables	5	330,059	256,859
Inventories	5	17,839	20,789
Total Current Assets		<u>3,261,650</u>	<u>2,925,460</u>
Non-current Assets			
Financial Assets	6	103,990	-
Infrastructure, Property, Plant & Equipment	7	33,729,103	32,881,489
Other Non-current Assets	6	236,397	185,046
Total Non-current Assets		<u>34,069,490</u>	<u>33,066,535</u>
Total Assets		<u>37,331,140</u>	<u>35,991,995</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8	526,088	446,994
Borrowings	8	40,894	22,871
Provisions	8	156,536	205,651
Total Current Liabilities		<u>723,518</u>	<u>675,516</u>
Non-current Liabilities			
Borrowings	8	284,433	205,326
Provisions	8	34,996	7,136
Total Non-current Liabilities		<u>319,429</u>	<u>212,462</u>
Total Liabilities		<u>1,042,947</u>	<u>887,978</u>
NET ASSETS		<u>36,288,193</u>	<u>35,104,017</u>
EQUITY			
Accumulated Surplus		12,546,917	11,362,741
Asset Revaluation Reserves	9	23,741,276	23,741,276
TOTAL EQUITY		<u>36,288,193</u>	<u>35,104,017</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 2012

2012	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	TOTAL EQUITY \$
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		<u>12,546,917</u>	<u>23,741,276</u>	<u>36,288,193</u>
 2011 				
Balance at end of previous reporting period		9,449,631	22,375,871	31,825,502
Net Surplus / (Deficit) for Year		1,913,110	-	1,913,110
Other Comprehensive Income				
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	1,365,405	1,365,405
Balance at end of period		<u>11,362,741</u>	<u>23,741,276</u>	<u>35,104,017</u>

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 2012

	Notes	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		2,209,013	2,133,241
Fees & other charges		30,375	31,428
User charges		117,704	58,173
Investment receipts		127,800	125,045
Grants utilised for operating purposes		1,907,407	1,640,965
Reimbursements		111,565	60,500
Other revenues		546,310	498,594
<u>Payments</u>			
Employee Costs		(1,256,230)	(1,121,227)
Materials, contracts & other expenses		(1,888,279)	(1,819,967)
Finance payments		(10,988)	(30,150)
Net Cash provided by (or used in) Operating Activities		1,894,677	1,576,602
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		739,142	1,205,975
Sale of replaced assets		42,668	71,968
Sale of real estate developments		40,000	40,000
Repayments of loans by community groups		6,649	
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,029,116)	(603,572)
Expenditure on new/upgraded assets		(1,325,029)	(2,102,494)
Purchase of investment property		-	
Net purchase of investment securities		-	
Development of real estate for sale		(80,181)	(41,187)
Loans made to community groups		(120,000)	-
Net Cash provided by (or used in) Investing Activities		(1,725,867)	(1,429,310)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from Borrowings		120,000	-
<u>Payments</u>			
Repayments of Borrowings		(22,870)	(28,269)
Net Cash provided by (or used in) Financing Activities		97,130	(28,269)
Net Increase (Decrease) in cash held		265,940	119,023
Cash & cash equivalents at beginning of period	11	2,647,812	2,528,789
Cash & cash equivalents at end of period	11	2,913,752	2,647,812

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 2012

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 consolidated fund 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 2012

Note 1 - Significant Accounting Policies (cont)

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.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost.

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.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as follows. 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	\$2,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$2,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$2,000
Reticulation extensions	\$2,000
Sidelines & household connections	\$2,000
Artworks	\$2,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

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

6.5 Impairment

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

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

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

6.6 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

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

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

10 Construction Contracts

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

11 Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, are only recognised if material.

12 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117.

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed within the appropriate asset class, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

13 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.

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

14 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 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 2010-6 *Amendments to Australian Accounting Standards [AASBs 1 & 7]*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19, & 127]*
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]*
- AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]*
- AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]*

(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 2012

Note 2 - INCOME

	2012	2011
Notes	\$	\$
RATES REVENUES		
<u>General Rates</u>	1,921,363	1,905,210
Less: Mandatory rebates	(29,594)	(22,484)
Less: Discretionary rebates, remissions & write offs	(6,715)	(12,051)
	1,885,054	1,870,675
<u>Other Rates</u> (including service charges)		
Natural Resource Management levy	63,180	65,640
Waste collection	100,000	12,491
Community wastewater management systems	183,960	173,060
	347,140	251,191
<u>Other Charges</u>		
Penalties for late payment	17,007	20,258
	17,007	20,258
Less: Discretionary rebates, remissions & write offs	(9,253)	(9,062)
	2,239,948	2,133,062
STATUTORY CHARGES		
Development Act fees	8,412	5,074
Town planning fees	14,241	19,252
Animal registration fees & fines	4,851	4,617
Other licences, fees, & fines	635	172
	28,139	29,115
USER CHARGES		
Cemetery/crematoria fees	23,027	9,865
Arno Bay Harbour Fees	122,182	20,927
Sanitation & Garbage fees	6,602	9,895
Hall & equipment hire	7,255	3,352
Sundry	19,462	12,878
	178,528	56,917
INVESTMENT INCOME		
Interest on investments		
Local Government Finance Authority	108,394	129,454
Banks & other	2,152	2,521
Loans to community groups	5,522	-
	116,068	131,975

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

NOTE 2 - INCOME (continued)

	Notes	2012 \$	2011 \$
REIMBURSEMENTS			
- for private works		23,417	7,675
- other		78,006	47,325
		101,423	55,000
 OTHER INCOME			
Rebates received		31,745	27,686
Sundry		26,488	95,317
		58,233	123,003
 GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		739,142	1,205,975
Other grants, subsidies and contributions		1,509,849	1,624,718
Individually significant item - additional Grants Commission payment	see below	360,158	-
		2,609,149	2,830,693
 <i>The functions to which these grants relate are shown in Note 2.</i>			
 Sources of grants			
Commonwealth government		280,000	1,130,203
State government		2,329,149	1,677,490
Other		-	23,000
		2,609,149	2,830,693

Individually Significant Item

On 28 June 2009, Council received payment of the first instalment of the 2009/10 Grant Commission (FAG) grant. Similarly, on 28 June 2012 Council received payment of the first two instalments of the 2012/13 grant.

	360,158	-
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This has materially increased Council's operating results in the current year, as these amounts are recognised as income upon receipt.

Similarly material adverse effects will be experienced when the timing of these grant payments is restored to normal schedule in 2012/13.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

NOTE 2 - INCOME (continued)

	2012	2011
Notes	\$	\$
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	674,791
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>Turnbull Park Redevelopment</i>	-	(674,791)
<i>Subtotal</i>	-	(674,791)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Arno Bay CWMS Scoping Study</i>	-	200,000
<i>Subtotal</i>	-	200,000
<i>Unexpended at the close of this reporting period</i>	200,000	200,000
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	-	(474,791)

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 3 - EXPENSES

	Notes	2012 \$	2011 \$
EMPLOYEE COSTS			
Salaries and Wages		1,039,243	985,072
Employee leave expense		152,195	188,812
Superannuation - defined contribution plan contributions	17	76,734	70,020
Superannuation - defined benefit plan contributions	17	38,913	40,387
Workers' Compensation Insurance		61,700	56,214
Other		21,649	20,498
Less: Capitalised and distributed costs		<u>(190,931)</u>	<u>(166,605)</u>
Total Operating Employee Costs		<u>1,199,503</u>	<u>1,194,398</u>
 Total Number of Employees		20	22
<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		8,550	9,750
Elected members' expenses		64,557	60,533
Election expenses		483	8,525
Subtotal - Prescribed Expenses		<u>73,590</u>	<u>78,808</u>
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		552,977	352,069
Energy		60,540	54,075
Maintenance		132,299	204,418
Legal Expenses		19,466	8,753
Levies paid to government - NRM levy		65,640	63,616
- Other Levies		-	12,056
Professional services		166,026	21,731
Sundry		411,918	439,971
Subtotal - Other Materials, Contracts & Expenses		<u>1,408,866</u>	<u>1,156,689</u>
		<u>1,482,456</u>	<u>1,235,497</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 3 - EXPENSES (cont)

	Notes	2012 \$	2011 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		181,558	158,837
Infrastructure		967,759	554,762
Plant & Equipment		175,593	147,594
Furniture & Fittings		19,027	16,962
Community Wastewater Management Scheme		33,190	32,537
Other Assets		114,026	105,047
		<u>1,491,153</u>	<u>1,015,739</u>
FINANCE COSTS			
Interest on Loans		12,660	14,947
		<u>12,660</u>	<u>14,947</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2012 \$	2011 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		42,668	71,968
Less: Carrying amount of assets sold		<u>15,378</u>	<u>73,846</u>
Gain (Loss) on disposal		<u>27,290</u>	<u>(1,878)</u>
REAL ESTATE DEVELOPMENT ASSETS			
Proceeds from disposal		40,000	40,000
Less: Carrying amount of assets sold		<u>28,830</u>	<u>24,196</u>
Gain (Loss) on disposal		<u>11,170</u>	<u>15,804</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>38,460</u>	<u>13,926</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 5 - CURRENT ASSETS

	2012	2011
CASH & EQUIVALENT ASSETS		
	Notes	
	\$	\$
Cash on Hand and at Bank	284,805	(76,287)
Deposits at Call	2,628,947	2,724,099
	<u>2,913,752</u>	<u>2,647,812</u>
TRADE & OTHER RECEIVABLES		
Rates - General & Other	175,377	144,442
Accrued Revenues	19,590	31,322
Debtors - general	95,162	23,239
GST Recoupment	30,569	57,856
Loans to community organisations	9,361	-
	<u>330,059</u>	<u>256,859</u>
INVENTORIES		
Stores & Materials	17,839	20,789
	<u>17,839</u>	<u>20,789</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2012 \$	2011 \$
Receivables			
Loans to community organisations		103,990	-
		103,990	-
OTHER NON-CURRENT ASSETS			
Inventories			
Real Estate Developments		236,397	185,046
		236,397	185,046
<i>Real Estate Developments - Current & Non-Current</i>			
<i>(Valued at the lower of cost and net realisable value)</i>			
<i>Residential</i>		236,397	185,046
Total Real Estate for Resale		236,397	185,046
<i>Represented by:</i>			
<i>Development Costs</i>		236,397	185,046
		236,397	185,046
Apportionment of Real Estate Developments			
<i>Non-Current Assets</i>		236,397	185,046
		236,397	185,046

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2011				2012			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2,345,100	-	-	2,345,100	2,345,100	-	2,345,100	
Buildings & Other Structures	8,163,682	1,207,316	(3,042,852)	6,328,146	8,163,682	(3,224,410)	6,388,210	
Infrastructure	29,164,142	5,738,309	(16,697,079)	18,205,372	29,164,142	(17,667,052)	18,682,279	
Plant & Equipment	881,010	938,363	(756,438)	1,062,935	881,010	(903,137)	1,454,259	
Furniture & Fittings	64,924	91,101	(70,040)	85,985	64,924	(89,067)	86,902	
Community Wastewater Management	527,391	1,132,134	(98,875)	1,560,650	527,391	(132,066)	1,593,078	
Other	2,959,728	1,075,481	(741,908)	3,293,301	2,959,728	(853,719)	3,179,275	
TOTAL PROPERTY, PLANT & EQUIPMENT	44,105,977	10,182,704	(21,407,192)	32,881,489	44,105,977	(22,869,451)	33,729,103	
Comparatives	29,480,485	7,556,069	(7,136,951)	29,899,603	44,105,977	(21,407,192)	32,881,489	

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 2012

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2011	CARRYING AMOUNT MOVEMENTS DURING YEAR					2012
	\$	\$					\$
	CARRYING AMOUNT	New/Upgrade	Additions Renewals	Disposals	Depreciation	Net Revaluation	CARRYING AMOUNT
Land	2,345,100	-	-	-	-	-	2,345,100
Buildings & Other Structures	6,328,146	224,985	16,637	-	(181,558)	-	6,388,210
Infrastructure	18,205,372	841,003	603,663	-	(967,759)	-	18,682,279
Plant & Equipment	1,062,935	253,967	328,328	(15,378)	(175,593)	-	1,454,259
Furniture & Fittings	85,985	5,074	14,870	-	(19,027)	-	86,902
Community Wastewater Management	1,560,650	-	65,618	-	(33,190)	-	1,593,078
	3,293,301	-	-	-	(114,026)	-	3,179,275
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	32,881,489	1,325,029	1,029,116	(15,378)	(1,491,153)	-	33,729,103
Comparatives	29,899,603	2,102,494	603,572	(73,847)	(1,015,738)	1,365,405	32,881,489

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 2012

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. Land was valued on a cost basis during the reporting period ended 30 June 2010 by Mr Gavin Halliday of Maloney Field Services. 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 written down replacement cost during the reporting period ended 30 June 2011, based on actual costs incurred during the reporting periods ended 30 June 2010 and 2011. Asset life assessments were conducted by physical inspection. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure was valued by Council officers at written down current replacement cost during the reporting period ended 30 June 2004. 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 2012

Note 8 - LIABILITIES

		2012		2011	
		\$		\$	
TRADE & OTHER PAYABLES	Notes	Current	Non-current	Current	Non-current
Goods & Services		336,328		223,821	
Payments received in advance		387		-	
Accrued expenses - employee entitlements		187,090		222,562	
Accrued expenses - other		2,283		611	
		526,088	-	446,994	-
<i>Amounts included in trade & other payables that are not expected to be settled within 12 months of reporting date.</i>			80,942	113,967	
BORROWINGS					
Loans		40,894	284,433	22,871	205,326
		40,894	284,433	22,871	205,326
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		156,536	34,996	205,651	7,136
		156,536	34,996	205,651	7,136
<i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>			120,536	171,091	

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2011	Net Increments (Decrements)	Transfers, Impairments	30/6/2012
	Notes	\$	\$	\$
Asset Revaluation Reserve	23,741,276	-	-	23,741,276
TOTAL	23,741,276			23,741,276
<i>Comparatives</i>	<i>22,375,871</i>	<i>1,365,405</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 2012

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.

		2012	2011
CASH & FINANCIAL ASSETS	Notes	\$	\$
Common Television Antenna (CATV) Re-transmission Service		54,883	48,198
CWMS Arno Bay Feasibility Study		<u>269,546</u>	<u>246,095</u>
		<u>324,429</u>	<u>294,293</u>
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		<u>324,429</u>	<u>294,293</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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	2012 \$	2011 \$
Total cash & equivalent assets	5	<u>2,913,752</u>	<u>2,647,812</u>
Balances per Cash Flow Statement		<u>2,913,752</u>	<u>2,647,812</u>

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

Net Surplus (Deficit)	1,184,176	1,913,110
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,491,153	1,015,739
Net increase (decrease) in unpaid employee benefits	(56,727)	73,171
Grants for capital acquisitions treated as Investing Activity	(739,142)	(1,205,975)
Net (Gain) Loss on Disposals	<u>(38,460)</u>	<u>(13,926)</u>
	1,841,000	1,782,119
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(63,839)	422
Net (increase) decrease in inventories	2,950	(1,323)
Net increase (decrease) in trade & other payables	<u>114,566</u>	<u>(204,616)</u>
Net Cash provided by (or used in) operations	<u>1,894,677</u>	<u>1,576,602</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	15,000	9,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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	2012	2011	2012	2011
	2012	2011	2012	2011	2012	2011	\$	\$	\$	\$
	3,595,963	3,250,846	-	-	3,595,963	3,250,846	1,213,752	979,366	6,818,804	6,768,477
Administration	4,851	7,761	99,227	95,689	(94,376)	(87,928)	-	-	138,550	138,550
Public Order & Safety	1,717	172	6,138	7,999	(4,421)	(7,827)	-	-	-	-
Health	108,639	262,720	827,906	694,771	(719,267)	(432,051)	10,180	434,712	3,876,155	3,801,712
Housing & Community Services	74,590	16,180	378,446	338,011	(303,856)	(321,831)	62,604	23,656	3,921,810	3,719,043
Sport Recreation & Culture	11,916	6,455	63,663	61,708	(51,747)	(55,253)	-	-	-	-
Mining & Manufacture	594,913	463,956	1,718,201	1,299,707	(1,123,288)	(835,751)	1,322,613	1,389,959	19,759,920	19,143,873
Transport & Communication	122,669	21,963	197,377	207,389	(74,708)	(185,426)	-	3,000	323,280	254,200
Economic Affairs	54,364	36,357	477,877	327,060	(423,513)	(290,703)	-	-	2,492,621	2,166,140
Other Purposes	1,503	63,283	454,803	418,461	(453,300)	(355,178)	-	-	-	-
Governance	21,221	24,097	(37,866)	9,786	59,087	14,311	-	-	-	-
Support Services	4,592,346	4,153,790	4,185,772	3,460,581	406,574	693,209	2,609,149	2,830,693	37,331,140	35,991,995
TOTALS										

Excludes 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 2012

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.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 13 - FINANCIAL INSTRUMENTS

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 5% (2011: 2% and 4.75%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment) Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 2% (2011: 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 the Governments of the Commonwealth & State.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5% and 7% (2011: 6% and 8%)</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 2012

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

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	3,276,414
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
2011	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets					
Cash & Equivalents	\$ 2,647,812	\$	\$	\$ 2,647,812	\$ 2,647,812
Receivables	54,561			54,561	112,417
Total	2,702,373	-	-	2,702,373	2,760,229
Financial Liabilities					
Payables	223,821			223,821	223,821
Current Borrowings	22,871			22,871	22,871
Non-Current Borrowings		137,567	67,759	205,326	205,326
Total	246,692	137,567	67,759	452,018	452,018

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

	30 June 2012		30 June 2011	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	5.50	120,000		-
Fixed Interest Rates	6.13	205,327	6.13	228,197
		<u>325,327</u>		<u>228,197</u>

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 2012

Note 14 - COMMITMENTS FOR EXPENDITURE

	2012	2011
<u>Notes</u>	\$	\$
Other Expenditure Commitments		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Waste Management Services	122,570	104,484
Employee Remuneration Contracts	<u>650,000</u>	<u>539,387</u>
	<u>772,570</u>	<u>643,871</u>
These expenditures are payable:		
Not later than one year	252,570	239,331
Later than one year and not later than 5 years	<u>520,000</u>	<u>404,540</u>
	<u>772,570</u>	<u>643,871</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 15 - FINANCIAL INDICATORS

	2012	2011	2010
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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.

Operating Surplus Ratio

<u>Operating Surplus</u>	19%	34%	25%
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

	2%	34%	25%
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*In each of June 2009, 2010 and 2011 the Commonwealth Government made an advance of one quarterly payment of the Financial Assistance Grant. In June 2012 an advance of two quarterly payments was made (see Note 2). Accordingly there were four "quarterly" payments in 2010 and 2011, and five payments in 2012. The **Adjusted Operating Surplus Ratio** adjusts for this distortion.*

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	-51%	-49%	-47%
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>	66%	52%	49%
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 2012

Note 16 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2012 \$	2011 \$
Income	4,592,346	4,153,790
<i>less</i> Expenses	<u>4,185,772</u>	<u>3,460,581</u>
Operating Surplus / (Deficit)	406,574	693,209
 <i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	1,029,116	603,572
<i>less</i> Depreciation, Amortisation and Impairment	1,491,153	1,015,739
<i>less</i> Proceeds from Sale of Replaced Assets	<u>42,668</u>	<u>71,968</u>
	(504,705)	(484,135)
 <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>	1,405,210	2,143,681
<i>less</i> Amounts received specifically for New and Upgraded Assets	739,142	1,205,975
<i>less</i> Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>40,000</u>	<u>40,000</u>
	626,068	897,706
 Net Lending / (Borrowing) for Financial Year	 <u>285,211</u>	 <u>279,638</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 17 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9% in 2011/12; 9% in 2010/11). 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 Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (6.3% in 2010/11) of "superannuation" salary.

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

The Salarylink Fund is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 18 - 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 1,400km of road reserves of average width 22 metres.

2. "CARBON" TAX

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commences operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type. 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, details of the mechanisms for measuring such emissions, or of providing the exemption are not currently available.

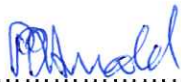
DISTRICT COUNCIL OF CLEVE

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the District Council of Cleve for the year ended 30 June 2012, 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
**CHAIRPERSON
AUDIT COMMITTEE**

Date: 12 September 2012

DISTRICT COUNCIL OF CLEVE
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of District Council of Cleve for the year ended 30 June 2012, 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 29 day of August 2012



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 2012 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 2012.

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 2012, 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

Signed 23 day of September 2012, at Eastwood, South Australia

Liability limited by a scheme approved under Professional Standards Legislation

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