

DISTRICT COUNCIL OF CLEVE
General Purpose Financial Reports
for the year ended 30 June 2019

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District Council of Cleve

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2019

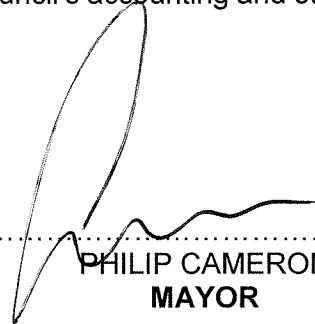
CERTIFICATION OF FINANCIAL STATEMENTS

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 2019 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



.....
PHILIP CAMERON
MAYOR

Date: 15 OCTOBER 2019

DISTRICT COUNCIL OF CLEVE
Statement of Comprehensive Income
for the year ended 30 June 2019

| | Notes | 2019 \$ | 2018 \$ |
|--|-------|------------------|--------------------|
| INCOME | | | |
| Rates | 2 | 3,433,099 | 3,297,107 |
| Statutory charges | 2 | 23,218 | 30,156 |
| User charges | 2 | 202,076 | 192,027 |
| Grants, subsidies and contributions | 2 | 3,151,100 | 2,284,262 |
| Investment income | 2 | 108,267 | 101,774 |
| Reimbursements | 2 | 90,878 | 369,436 |
| Other income | 2 | 79,346 | 70,856 |
| Total Income | | <u>7,087,984</u> | <u>6,345,618</u> |
| EXPENSES | | | |
| Employee costs | 3 | 1,527,311 | 1,562,963 |
| Materials, contracts & other expenses | 3 | 2,742,328 | 1,778,522 |
| Depreciation, amortisation & impairment | 3 | 1,470,946 | 1,371,141 |
| Finance costs | 3 | 41,202 | 54,828 |
| Total Expenses | | <u>5,781,786</u> | <u>4,767,454</u> |
| OPERATING SURPLUS / (DEFICIT) | | <u>1,306,198</u> | <u>1,578,164</u> |
| Asset disposal & fair value adjustments | 4 | 37,301 | (240,202) |
| Amounts received specifically for new or upgraded assets | 2 | 1,129,950 | 120,000 |
| NET SURPLUS / (DEFICIT) (transferred to Equity Statement) | | <u>2,473,449</u> | <u>1,457,962</u> |
| Other Comprehensive Income | | | |
| <i>Amounts which will not be reclassified subsequently to operating result</i> | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | 9 | 5,239,025 | - |
| Impairment (expense) / recoupments offset to asset revaluation reserve | 9 | - | (3,548,416) |
| Total Other Comprehensive Income | | <u>5,239,025</u> | <u>(3,548,416)</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>7,712,474</u> | <u>(2,090,454)</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 2019

| | Notes | 2019 \$ | 2018 \$ |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 7,321,392 | 7,310,880 |
| Trade & other receivables | 5 | 649,069 | 456,583 |
| Inventories | 5 | 8,489 | 7,282 |
| Total Current Assets | | <u>7,978,950</u> | <u>7,774,745</u> |
| Non-current Assets | | | |
| Financial assets | 6 | 261,006 | 190,784 |
| Infrastructure, property, plant & equipment | 7 | 44,750,762 | 38,542,014 |
| Other non-current assets | 6 | 2,198,634 | 863,075 |
| Total Non-current Assets | | <u>47,210,402</u> | <u>39,595,873</u> |
| Total Assets | | <u>55,189,352</u> | <u>47,370,618</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other payables | 8 | 651,284 | 398,852 |
| Borrowings | 8 | 158,340 | 186,057 |
| Provisions | 8 | 477,664 | 487,847 |
| Total Current Liabilities | | <u>1,287,288</u> | <u>1,072,756</u> |
| Non-current Liabilities | | | |
| Borrowings | 8 | 652,991 | 721,331 |
| Provisions | 8 | 36,434 | 76,366 |
| Total Non-current Liabilities | | <u>689,425</u> | <u>797,697</u> |
| Total Liabilities | | <u>1,976,713</u> | <u>1,870,453</u> |
| NET ASSETS | | <u>53,212,639</u> | <u>45,500,165</u> |
| EQUITY | | | |
| Accumulated Surplus | | 24,875,794 | 22,525,816 |
| Asset Revaluation Reserves | 9 | 27,701,968 | 22,462,943 |
| Other Reserves | 9 | 634,877 | 511,406 |
| TOTAL EQUITY | | <u>53,212,639</u> | <u>45,500,165</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 2019

| 2019 | Notes | Acc'd Surplus \$ | Asset Rev'n Reserve \$ | Other Reserves \$ | TOTAL EQUITY \$ |
|--|-------|------------------------|------------------------------|-------------------------|-----------------------|
| Balance at end of previous reporting period | | 22,525,816 | 22,462,943 | 511,406 | 45,500,165 |
| Net Surplus / (Deficit) for Year | | 2,473,449 | | | 2,473,449 |
| Other Comprehensive Income | | | | | |
| Gain on revaluation of infrastructure, property, plant & equipment | 9 | | 5,239,025 | | 5,239,025 |
| Transfers between reserves | | (123,471) | | 123,471 | - |
| Balance at end of period | | 24,875,794 | 27,701,968 | 634,877 | 53,212,639 |

| 2018 | | | | | |
|--|--|-------------------|-------------------|----------------|-------------------|
| Balance at end of previous reporting period | | 20,936,014 | 26,011,359 | 643,246 | 47,590,619 |
| Net Surplus / (Deficit) for Year | | 1,457,962 | | | 1,457,962 |
| Other Comprehensive Income | | | | | |
| Impairment (expense) / recoupments offset to asset revaluation reserve | | | (3,548,416) | | (3,548,416) |
| Transfers between reserves | | 131,840 | | (131,840) | - |
| Balance at end of period | | 22,525,816 | 22,462,943 | 511,406 | 45,500,165 |

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 2019

| | | 2019 | 2018 |
|---|-------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | Notes | \$ | \$ |
| <i>Receipts:</i> | | | |
| Rates - general & other | | 3,449,500 | 3,220,462 |
| Fees & other charges | | 24,379 | 32,552 |
| User charges | | 200,633 | 291,757 |
| Investment receipts | | 108,267 | 100,486 |
| Grants utilised for operating purposes | | 2,999,070 | 2,284,262 |
| Reimbursements | | 95,422 | 406,380 |
| Other revenues | | 431,948 | 422,000 |
| <i>Payments:</i> | | | |
| Employee costs | | (1,575,120) | (1,461,457) |
| Materials, contracts & other expenses | | (2,915,610) | (1,969,110) |
| Finance payments | | (32,722) | (61,183) |
| Net Cash provided by (or used in) Operating Activities | 10 | 2,785,768 | 3,266,149 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| <i>Receipts:</i> | | | |
| Amounts specifically for new or upgraded assets | | 1,129,950 | 120,000 |
| Sale of replaced assets | | 182,518 | 30,455 |
| Sale of real estate developments | | - | 40,000 |
| Repayments of loans by community groups | | 19,778 | 14,437 |
| <i>Payments:</i> | | | |
| Expenditure on renewal/replacement of assets | | (3,514,898) | (2,046,324) |
| Expenditure on new/upgraded assets | | (406,546) | (820,786) |
| Development of real estate for sale | | - | (99,438) |
| Loans made to community groups | | (90,000) | (150,000) |
| Net Cash provided by (or used in) Investing Activities | | (2,679,199) | (2,911,656) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| <i>Payments:</i> | | | |
| Repayments of borrowings | | (96,057) | (55,507) |
| Net Cash provided by (or used in) Financing Activities | | (96,057) | (55,507) |
| Net Increase (Decrease) in cash held | | 10,512 | 298,986 |
| Cash & cash equivalents at beginning of period | 10 | 7,310,880 | 7,011,894 |
| Cash & cash equivalents at end of period | 10 | 7,321,392 | 7,310,880 |

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 2019

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

The 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.

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 | |
|---------|-----------------------|-------------------|------------|-----------|
| 2016/17 | \$ 2,036,887 | \$1,344,427 | + | \$692,460 |
| 2017/18 | \$ 1,728,737 | \$1,642,863 | + | \$85,874 |
| 2018/19 | \$ 2,026,330 | \$1,647,009 | - | \$379,321 |

District Council of Cleve

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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 and Net Liabilities Ratio disclosed in Note 15 have also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

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

3.1 Construction Contracts

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

For works undertaken on a fixed price contract basis, revenues and expenses are recognised on a percentage of completion basis. Costs incurred in advance of a future claimed entitlement are classified as work in progress in inventory. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

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

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.

District Council of Cleve

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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 Land under roads

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

6.2 Initial Recognition

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

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

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

District Council of Cleve

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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

6.6 Impairment

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

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

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

6.7 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based on costs) measured in accordance with AASB 119.

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

District Council of Cleve

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

10 Leases

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

In respect of finance leases, where Council substantially carries the entire 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.

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, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

12 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.

13 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2019 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 16 | Leases |
| AASB 1058 | Income of Not-for-Profit Entities |

District Council of Cleve

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (con't)

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.)

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which will commence from 1 July 2019, affect the timing with which revenues, particularly special purpose grants, are recognised. Amounts received in relation to contracts with sufficiently specific performance obligations will in future only be recognised as these obligations are fulfilled. In these Statements, the sum of \$9k has been recognised as revenue, in accordance with the current Standards, but would in future be recorded as a liability "Amounts in Advance" until the performance obligations have been fulfilled.

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2 - INCOME

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| RATES REVENUES | | |
| <u>General Rates</u> | 2,900,168 | 2,821,362 |
| Less: Mandatory Rebates | (35,620) | (30,312) |
| Less: Discretionary Rebates, Remissions & Write Offs | (13,628) | (12,472) |
| | <u>2,850,919</u> | <u>2,778,578</u> |
| <u>Other Rates</u> (including service charges) | | |
| Natural Resource Management Levy | 103,661 | 101,704 |
| Waste Collection | 199,045 | 154,062 |
| Community Wastewater Management Systems | 249,331 | 244,370 |
| Separate and Special Rates | 7,088 | 7,409 |
| | <u>559,125</u> | <u>507,545</u> |
| <u>Other Charges</u> | | |
| Penalties for Late Payment | 25,658 | 24,282 |
| Legal & Other Costs Recovered | 10,017 | - |
| | <u>35,675</u> | <u>24,282</u> |
| Less: Discretionary rebates, remissions & write offs | (12,620) | (13,298) |
| | <u>3,433,099</u> | <u>3,297,107</u> |
| STATUTORY CHARGES | | |
| Development Act Fees | 7,993 | 12,421 |
| Town Planning Fees | 6,492 | 10,547 |
| Health & Septic Tank Inspection Fees | 1,718 | 332 |
| Animal Registration Fees & Fines | 7,015 | 6,856 |
| | <u>23,218</u> | <u>30,156</u> |
| USER CHARGES | | |
| Cemetery Fees | 14,226 | 21,040 |
| Arno Bay Harbour Fees | 20,923 | 20,455 |
| Sanitation & Garbage Fees | 134,980 | 126,168 |
| Hall & Equipment Hire | 2,337 | 3,413 |
| Council House Rentals | 16,224 | 9,400 |
| Sundry | 13,385 | 11,551 |
| | <u>202,076</u> | <u>192,027</u> |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2 - INCOME (con't)

| INVESTMENT INCOME | 2019 | 2018 |
|--|------------------|-------------|
| | \$ | \$ |
| Interest on investments: | | |
| Local Government Finance Authority | 98,566 | 100,298 |
| Banks & Other | 176 | 118 |
| Loans to Community Groups | 9,526 | 1,358 |
| | 108,267 | 101,774 |
| REIMBURSEMENTS | | |
| - for private works | 9,419 | 228,250 |
| - other | 81,459 | 141,186 |
| | 90,878 | 369,436 |
| OTHER INCOME | | |
| Insurance & other recoupments - infrastructure, property, plant & equipment | 17,780 | 3,424 |
| Sundry | 61,567 | 67,432 |
| | 79,346 | 70,856 |
| GRANTS, SUBSIDIES, CONTRIBUTIONS | | |
| Amounts received specifically for new or upgraded assets | 1,129,950 | 120,000 |
| Other Grants, Subsidies and Contributions | | |
| Untied - Financial Assistance Grant | 2,026,330 | 1,728,737 |
| Roads to Recovery | 264,864 | 534,182 |
| Library & Communications | 3,760 | 3,793 |
| Drought Communities Program | 830,187 | - |
| Sundry | 25,959 | 17,550 |
| | 3,151,100 | 2,284,262 |
| | 4,281,050 | 2,404,262 |
| <i>The functions to which these grants relate are shown in Note 12.</i> | | |
| Sources of grants | | |
| Commonwealth government | 1,258,051 | 120,000 |
| State government | 3,022,999 | 2,284,262 |
| | 4,281,050 | 2,404,262 |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2 - INCOME (con't)

| Conditions over grants & contributions | 2019 | 2018 |
|--|----------------------|---------------|
| | \$ | \$ |
| <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> | 87,840 | 247,074 |
| <i>Less: expended during the current period from revenues recognised in previous reporting periods:</i> | | |
| <i>Roads Infrastructure (FAG's paid in advance)</i> | (87,840) | (172,074) |
| <i>Heritage & Cultural Services (Yeldulknie Weir Trail)</i> | - | (75,000) |
| <i>Subtotal</i> | (87,840) | (247,074) |
| <i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i> | | |
| <i>Roads Infrastructure (FAG's Prepayment)</i> | 1,157,655 | 87,840 |
| <i>Subtotal</i> | 1,157,655 | 87,840 |
| <i>Unexpended at the close of this reporting period</i> | 1,157,655 | 87,840 |
| <i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i> | 1,069,815 | (159,234) |

DISTRICT COUNCIL OF CLEVE

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

Note 3 - EXPENSE

| | Notes | 2019 \$ | 2018 \$ |
|--|-------|------------------|------------------|
| EMPLOYEE COSTS | | | |
| Salaries and Wages | | 1,330,857 | 1,383,244 |
| Employee leave expense | | 109,508 | 176,945 |
| Superannuation - defined contribution plan contributions | 16 | 110,821 | 94,206 |
| Superannuation - defined benefit plan contributions | 16 | 30,589 | 36,049 |
| Workers' Compensation Insurance | | 59,909 | 57,470 |
| Other | | 57,510 | 37,848 |
| Less: Capitalised and distributed costs | | (171,884) | (222,799) |
| Total Operating Employee Costs | | 1,527,311 | 1,562,963 |
| Total Number of Employees | | 21 | 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 | | 17,690 | 10,890 |
| Elected members' expenses | | 70,005 | 87,552 |
| Election expenses | | 9,681 | 513 |
| Subtotal - Prescribed Expenses | | 97,376 | 98,955 |
| <u>Other Materials, Contracts & Expenses</u> | | | |
| Contractors - operating | | 391,547 | 468,970 |
| Contractors - capital | | 1,193,759 | 1,359,633 |
| Drought Relief Project - Drift Roads | | 188,854 | na |
| Drought Relief Project - Sport & Recreation | | 585,633 | na |
| Energy | | 73,499 | 64,382 |
| Insurance | | 115,921 | 114,102 |
| Maintenance | | 67,868 | 49,973 |
| Materials - operating | | 415,534 | 486,729 |
| Materials - capital | | 880,540 | 507,263 |
| Legal Expenses | | 40,986 | 44,971 |
| Levies paid to government - NRM levy | | 108,361 | 101,890 |
| - Other Levies | | 39,442 | 34,464 |
| Parts, accessories & consumables | | 86,049 | 77,630 |
| Professional services | | 78,237 | 85,625 |
| Sporting Bodies Contribution | | 255,000 | na |
| Sundry - operating | | 198,021 | 150,831 |
| Sundry - capital | | 339,704 | 796,403 |
| Less amounts capitalised | | (2,414,003) | (2,663,299) |
| Subtotal - Other Materials, Contracts & Expenses | | 2,644,952 | 1,679,567 |
| | | 2,742,328 | 1,778,522 |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 3 - EXPENSE con't

| | 2019 | 2018 |
|--|------------------|------------------|
| Notes | \$ | \$ |
| DEPRECIATION, AMORTISATION & IMPAIRMENT | | |
| Depreciation | | |
| Buildings & Other Structures | 203,421 | 179,207 |
| Infrastructure | 765,741 | 762,219 |
| CWMS | 89,861 | 65,945 |
| Plant, Machinery & Equipment | 339,764 | 303,727 |
| Office Equipment, Furniture & Fittings | 9,351 | 9,656 |
| Other Assets | 62,808 | 50,387 |
| | <u>1,470,946</u> | <u>1,371,141</u> |
| FINANCE COSTS | | |
| Interest on Loans | 41,202 | 54,828 |
| | <u>41,202</u> | <u>54,828</u> |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

| | 2019 | 2018 |
|---|---------------|------------------|
| | \$ | \$ |
| INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | |
| <i>Assets renewed or directly replaced</i> | | |
| Proceeds from disposal | 182,518 | 30,455 |
| Less: Carrying amount of assets sold | 145,217 | 281,827 |
| Gain (Loss) on disposal | <u>37,301</u> | <u>(251,372)</u> |
| REAL ESTATE DEVELOPMENT ASSETS | | |
| Proceeds from disposal | - | 40,000 |
| Less: Carrying amount of assets sold | - | 28,830 |
| Gain (Loss) on disposal | <u>-</u> | <u>11,170</u> |
| NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS | <u>37,301</u> | <u>(240,202)</u> |

Note 5 - CURRENT ASSETS

| | 2019 | 2018 |
|--------------------------------------|------------------|------------------|
| | \$ | \$ |
| CASH & EQUIVALENT ASSETS | | |
| Cash on Hand and at Bank | 344,003 | 193,441 |
| Deposits at Call | 6,977,389 | 7,117,439 |
| | <u>7,321,392</u> | <u>7,310,880</u> |
| TRADE & OTHER RECEIVABLES | | |
| Rates - General & Other | 311,678 | 328,079 |
| Accrued Revenues | 176,898 | 24,868 |
| Debtors - general | 64,138 | 35,936 |
| GST Recoupment | 65,082 | 30,488 |
| Prepayments | 11,494 | 17,433 |
| Loans to community organisations | 19,779 | 19,779 |
| | <u>649,069</u> | <u>456,583</u> |
| INVENTORIES | | |
| Stores & Materials | 8,489 | 7,282 |
| | <u>8,489</u> | <u>7,282</u> |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 6 - NON-CURRENT ASSETS

| | 2019 | 2018 |
|--|-------------------------|-----------------------|
| FINANCIAL ASSETS | \$ | \$ |
| Receivables | | |
| Loans to community organisations | <u>261,006</u> | <u>190,784</u> |
| TOTAL FINANCIAL ASSETS | <u>261,006</u> | <u>190,784</u> |
| | | |
| OTHER NON-CURRENT ASSETS | | |
| Inventories | | |
| Real Estate Developments | 754,210 | 754,210 |
| Capital Works-in-Progress | <u>1,444,424</u> | <u>108,865</u> |
| | <u>2,198,634</u> | <u>863,075</u> |
| | | |
| <i>Real Estate Developments - Current & Non-Current</i> | | |
| <i>(Valued at the lower of cost and net realisable value)</i> | | |
| <i>Residential</i> | <u>754,210</u> | <u>754,210</u> |
| <i>Total Real Estate for Resale</i> | <u>754,210</u> | <u>754,210</u> |
| <i>Represented by:</i> | | |
| <i>Development Costs</i> | <u>754,210</u> | <u>754,210</u> |
| <i>Total Real Estate for Resale</i> | <u>754,210</u> | <u>754,210</u> |
| | | |
| <i>Apportionment of Real Estate Developments</i> | | |
| <i>Current Assets</i> | - | - |
| <i>Non-Current Assets</i> | <u>754,210</u> | <u>754,210</u> |
| | <u>754,210</u> | <u>754,210</u> |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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

| | Fair Value Level | 2018 | | | | 2019 | | | |
|--|------------------|-------------------|-------------------|---------------------|-------------------|-------------------|------------------|---------------------|-------------------|
| | | Fair Value | Cost | Acc' Dep'n | Carrying Amount | Fair Value | Cost | Acc' Dep'n | Carrying Amount |
| | | \$ | | | | | | | |
| Land | 2 | 2,506,023 | - | - | 2,506,023 | 3,312,900 | - | - | 3,312,900 |
| Buildings & Structures | 2 | 5,764,500 | 29,762 | (4,559,977) | 1,234,285 | - | - | - | |
| Buildings & Structures | 3 | 2,741,799 | 1,088,690 | (1,219,102) | 2,611,387 | 10,841,037 | 382,932 | (4,400,412) | 6,823,557 |
| Infrastructure | 3 | 39,487,990 | 1,566,404 | (15,241,507) | 25,812,887 | 38,980,965 | 2,948,074 | (15,540,635) | 26,388,404 |
| CWMS | 3 | 2,081,855 | 1,319,868 | (1,140,117) | 2,261,606 | 5,784,432 | 25,825 | (2,750,791) | 3,059,465 |
| Plant, Machinery & Equipment | | - | 4,154,066 | (1,956,371) | 2,197,695 | - | 4,386,430 | (1,942,048) | 2,444,382 |
| Office Equipment, Furniture & Fittings | | - | 204,206 | (153,266) | 50,940 | - | 218,389 | (150,077) | 68,312 |
| Other Assets | 3 | 2,183,973 | 284,645 | (601,427) | 1,867,191 | 3,465,000 | 77,480 | (888,738) | 2,653,742 |
| Total IPP&E | | 54,766,140 | 8,647,641 | (24,871,767) | 38,542,014 | 62,384,334 | 8,039,130 | (25,672,701) | 44,750,762 |
| Comparatives | | 50,561,934 | 14,414,216 | (24,015,268) | 40,960,882 | 54,766,140 | 8,647,641 | (24,871,767) | 38,542,014 |

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 2019

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT cont'

| | 2018 \$ | CARRYING AMOUNT MOVEMENTS DURING YEAR | | | | | | | | | | 2019 \$ |
|--|-------------------|---------------------------------------|------------------|------------------|--------------------|------------------|--------------------|--------------------|-------------------|---|-----------|------------|
| | | Additions | | Disposals | Depreciation | Transfers | | Net Revaluation | Carrying Amount | | | |
| | | New / Upgrade | Renewals | | | In | Out | | | | | |
| Land | 2,506,023 | - | - | - | - | - | - | - | - | - | 806,877 | 3,312,900 |
| Buildings & Structures | 1,234,285 | - | - | - | - | - | - | - | (1,234,285) | - | - | - |
| Buildings & Structures | 2,611,387 | 223,303 | 159,629 | - | (203,421) | 1,234,285 | - | - | - | - | 2,798,374 | 6,823,557 |
| Infrastructure | 25,812,887 | 116,159 | 1,265,511 | (40,412) | (765,741) | - | - | - | - | - | - | 26,388,404 |
| CWMS | 2,261,606 | - | 25,825 | - | (89,861) | - | - | - | - | - | 861,895 | 3,059,465 |
| Plant, Machinery & Equipment | 2,197,695 | - | 686,025 | (99,574) | (339,764) | - | - | - | - | - | - | 2,444,382 |
| Office Equipment, Furniture & Fittings | 50,940 | - | 31,954 | (5,231) | (9,351) | - | - | - | - | - | - | 68,312 |
| Other Assets | 1,867,191 | 67,084 | 10,396 | - | (62,808) | - | - | - | - | - | 771,879 | 2,653,742 |
| Total IPP&E | 38,542,014 | 406,546 | 2,179,340 | (145,217) | (1,470,946) | 1,234,285 | (1,234,285) | 5,239,025 | 44,750,762 | | | |
| Comparatives | 40,960,882 | 736,191 | 2,046,325 | (281,827) | (1,371,141) | - | - | (3,548,416) | 38,542,014 | | | |

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 2019

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 |
| Artworks | \$5,000 |

Note 7 – Property, Plant & Equipment (cont)

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:

| | |
|--|-----------------|
| <u>Plant, Furniture & Equipment</u> | |
| 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 |
| <u>Building & Other Structures</u> | |
| 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 |
| <u>Infrastructure</u> | |
| 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 |
| Community Wastewater Management System | 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 |
| <u>Other Assets</u> | |
| 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 2018 by Council staff and is consistent with valuations provided to Council from the Valuer Generals office. Additions are recognised at cost.

Buildings & Other Structures

Buildings were revalued as at 1 July 2018 by Asset Valuation & Consulting Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

Infrastructure

Transportation assets were valued as at 1 July 2017 by Gayler Professional Engineering Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

Community Wastewater Management System

Community wastewater management system infrastructure was valued at depreciation current replacement cost as at 1 July 2018 by Gayler Professional Engineering Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

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 were revalued as at 1 July 2018 by Gayler Professional Engineering 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 2019

Note 8 - LIABILITIES

| | Notes | 2019 | | 2018 | |
|--|-------|----------------|----------------|----------------|----------------|
| | | Current | Non-current | Current | Non-current |
| TRADE & OTHER PAYABLES | | | | | |
| Goods & Services | | 558,427 | | 323,332 | |
| Payments received in advance | | 18,548 | - | 11,997 | - |
| Accrued expenses - employee entitlements | | 57,888 | - | 55,582 | - |
| Accrued expenses - other | | 16,421 | - | 7,941 | - |
| | | 651,284 | - | 398,852 | - |
| | | | | | |
| BORROWINGS | | | | | |
| Loans | | 158,340 | 652,991 | 186,057 | 721,331 |
| | | 158,340 | 652,991 | 186,057 | 721,331 |
| <i>All interest bearing liabilities are secured over the future revenues of the Council.</i> | | | | | |
| | | | | | |
| PROVISIONS | | | | | |
| LSL Employee entitlements (inc oncosts) | | 249,053 | 36,434 | 243,557 | 76,366 |
| AL Employee entitlements (inc oncosts) | | 228,611 | - | 244,290 | - |
| | | 477,664 | 36,434 | 487,847 | 76,366 |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 9 - RESERVES

| ASSET REVALUATION RESERVE | 1/7/2018 | Net Increments/ (Decrements) | Transfers, Impairments | 30/6/2019 |
|----------------------------------|-------------------|------------------------------------|---------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land | 1,229,545 | 806,877 | - | 2,036,422 |
| Buildings & Other Structures | 4,000,000 | 2,798,374 | - | 6,798,374 |
| Infrastructure & Cleve CWMS | 14,733,398 | - | - | 14,733,398 |
| Arno Bay CWMS | 1,500,000 | 861,895 | - | 2,361,895 |
| Other Assets | 1,000,000 | 771,879 | - | 1,771,879 |
| TOTAL | 22,462,943 | 5,239,025 | - | 27,701,968 |
| <i>Comparatives</i> | 26,011,359 | - | - | 26,011,359 |

| OTHER RESERVES | 1/7/2018 | Transfers to Reserve | Transfers from Reserve | 30/6/2019 |
|-----------------------------|----------------|-------------------------|---------------------------|----------------|
| CATV Re-Transmission | 50,228 | 2,788 | - | 53,016 |
| Cleve CWMS | 461,178 | 120,683 | - | 581,861 |
| TOTAL OTHER RESERVES | 511,406 | 123,471 | - | 634,877 |
| <i>Comparatives</i> | 643,246 | - | (131,840) | 511,406 |

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

Council maintain reserve accounts for specific purposes where income is generated for future expenditure. Including the Common Television Antenna Re-Transmission and the Common Wastewater Management System.

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

| | Notes | 2019 \$ | 2018 \$ |
|----------------------------------|-------|------------------|------------------|
| Total cash & equivalent assets | 5 | 7,321,392 | 7,310,880 |
| Balances per Cash Flow Statement | | <u>7,321,392</u> | <u>7,310,880</u> |

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

| | | | |
|---|--|------------------|------------------|
| Net Surplus (Deficit) | | 2,473,449 | 1,457,962 |
| Non-cash items in Income Statement | | | |
| Depreciation, amortisation & impairment | | 1,470,946 | 1,371,141 |
| Net increase (decrease) in unpaid employee benefits | | (47,809) | 101,506 |
| Grants for capital acquisitions treated as Investing Activity | | (1,129,950) | (120,000) |
| Net (Gain) Loss on Disposals | | (37,301) | 240,202 |
| | | <u>2,729,335</u> | <u>3,050,811</u> |
| Add (Less): Changes in Net Current Assets | | | |
| Net (increase) decrease in receivables | | (192,486) | 2,484 |
| Net (increase) decrease in inventories | | (1,207) | 2,352 |
| Net increase (decrease) in trade & other payables | | 250,126 | 214,065 |
| Net increase (decrease) in other provisions | | - | (3,563) |
| Net Cash provided by (or used in) operations | | <u>2,785,768</u> | <u>3,266,149</u> |

(c) Non-Cash Financing and Investing Activities

(d) Financing Arrangements

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

| | | |
|--------------------------------------|---------|---------|
| Bank Overdrafts | 510,000 | 150,000 |
| Corporate Credit Cards | 16,000 | 16,000 |
| LGFA Cash Advance Debenture facility | 721,331 | 480,000 |

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 2019

Note 11 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES

| | INCOME | | EXPENSES | | OPERATING SURPLUS (DEFICIT) | | GRANTS INCLUDED IN INCOME | | TOTAL ASSETS HELD (CURRENT & NON-CURRENT) | |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------------------|------------------|------------------------------|------------------|---|-------------------|
| | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Administration | 5,114,227 | 4,578,584 | 20,384 | 16,808 | 5,093,842 | 4,561,776 | 1,945,559 | 1,092,637 | 9,100,129 | 7,810,904 |
| Public Order & Safety | 10,997 | 9,845 | 159,567 | 131,573 | (148,570) | (121,728) | - | - | 163,365 | 140,221 |
| Health | 1,384 | 1,239 | 17,837 | 14,708 | (16,453) | (13,469) | - | - | - | - |
| Housing & Community Services | 164,790 | 147,531 | 1,019,304 | 840,482 | (854,514) | (692,951) | 221,762 | 124,543 | 5,329,901 | 4,574,808 |
| Sport Recreation & Culture | 126,792 | 113,512 | 606,940 | 500,461 | (480,148) | (386,949) | 16,382 | 9,200 | 4,953,430 | 4,251,672 |
| Mining & Manufacture | 10,771 | 9,643 | 72,821 | 60,046 | (62,050) | (50,403) | - | - | - | - |
| Transport & Communication | 1,431,732 | 1,281,778 | 2,315,718 | 1,909,458 | (883,986) | (627,680) | 2,088,266 | 1,172,782 | 32,319,117 | 27,740,434 |
| Economic Affairs | 24,798 | 22,201 | 112,535 | 92,792 | (87,736) | (70,591) | 9,081 | 5,100 | 459,031 | 394,000 |
| Other Purposes | 168,652 | 150,988 | 90,636 | 74,735 | 78,016 | 76,253 | - | - | 2,816,889 | 2,417,817 |
| Governance | 1,554 | 1,391 | 428,543 | 353,361 | (426,989) | (351,970) | - | - | - | - |
| Support Services | 32,288 | 28,906 | 918,034 | 756,978 | (885,746) | (728,072) | - | - | 47,490 | 40,762 |
| Social Security & Welfare | - | - | 19,467 | 16,052 | (19,467) | (16,052) | - | - | - | - |
| TOTALS | 7,087,984 | 6,345,618 | 5,781,786 | 4,767,454 | 1,306,198 | 1,578,164 | 4,281,050 | 2,404,262 | 55,189,352 | 47,370,618 |

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2019

Note 11 (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 2019

Note 12 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

| | |
|--|---|
| Bank, Deposits at Call, Short Term Deposits | <p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 1% and 2% (2018: 1% and 2%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p> |
| Receivables - Rates & Associated Charges (including legal & penalties for late payment) | <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% (2018: 2%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p> |
| Receivables - Fees & other charges | <p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p> |
| Receivables - other levels of government | <p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p> |

DISTRICT COUNCIL OF CLEVE

Notes to and forming part of the Financial Statements

Note 12 - FINANCIAL INSTRUMENTS (con't)

| | |
|--|--|
| Receivables - Retirement Home Contributions | <p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p> |
| Liabilities - Creditors and Accruals | <p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p> |
| Liabilities - Retirement Home Contributions | <p>Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p>Terms & conditions: Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.</p> <p>Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p> |
| Liabilities - Interest Bearing Borrowings | <p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable biennially; interest is charged at fixed (or variable - describe) rates between 4% and 7% (2018: 4% and 7%)</p> <p>Carrying amount: approximates fair value.</p> |
| Liabilities - Finance Leases | <p>Accounting Policy: accounted for in accordance with AASB 117.</p> |

DISTRICT COUNCIL OF CLEVE

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

Note 12 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

| 2019 | Due < 1 year | Due > 1 year ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
|-------------------------------------|------------------|----------------------------|------------------|------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| <u>Financial Assets</u> | | | | | |
| Cash & Equivalents | 7,321,392 | | | 7,321,392 | 7,321,392 |
| Receivables | 649,069 | 261,006 | | 910,075 | 910,075 |
| Total | 7,970,461 | 261,006 | - | 8,231,467 | 8,231,467 |
| <u>Financial Liabilities</u> | | | | | |
| Payables | 576,975 | | | 576,975 | 576,975 |
| Current Borrowings | 190,798 | | | 190,798 | 158,340 |
| Non-Current Borrowings | | 724,490 | 29,919 | 754,409 | 652,991 |
| Total | 767,773 | 724,490 | 29,919 | 1,522,182 | 1,388,306 |
| | | | | | |
| 2018 | Due < 1 year | Due > 1 year; ≤ 5 years | Due > 5 years | Total Contractual Cash Flows | Carrying Values |
| | \$ | \$ | \$ | \$ | \$ |
| <u>Financial Assets</u> | | | | | |
| Cash & Equivalents | 7,310,880 | | | 7,310,880 | 7,310,880 |
| Receivables | 319,288 | - | - | 319,288 | 319,288 |
| Total | 7,630,168 | - | - | 7,630,168 | 7,630,168 |
| <u>Financial Liabilities</u> | | | | | |
| Payables | 335,329 | - | - | 335,329 | 335,329 |
| Current Borrowings | 227,313 | - | - | 227,313 | 186,057 |
| Non-Current Borrowings | - | 558,612 | 296,595 | 855,207 | 721,331 |
| Total | 562,642 | 558,612 | 296,595 | 1,417,849 | 1,242,717 |

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

| | 30 June 2019 | | 30 June 2018 | |
|----------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|
| | Weighted Average Interest Rate | Carrying Value | Weighted Average Interest Rate | Carrying Value |
| | % | \$ | % | \$ |
| Fixed Interest Rates | 4.8 | 721,331 | 4.8 | 907,388 |
| | | <u>721,331</u> | | <u>907,388</u> |

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 12 - FINANCIAL INSTRUMENTS (con't)

Net Fair Value

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

Risk Exposures:

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any 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 2019

Note 13 - FINANCIAL INDICATORS

| | 2019 | 2018 | 2017 |
|--------------------------------|--------------|-------|-------|
| Operating Surplus Ratio | | | |
| <u>Operating Surplus</u> | 18.4% | 24.9% | 36.1% |
| Total Operating Income | | | |

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

Net Financial Liabilities Ratio

| | | | |
|----------------------------------|---------------|--------|--------|
| <u>Net Financial Liabilities</u> | -88.2% | -96.0% | -92.0% |
| Total Operating Income | | | |

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

Adjustments to Ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These ***Adjusted Ratios*** correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison between years.

| | | | |
|--|---------------|--------|--------|
| <i>Adjusted Operating Surplus Ratio</i> | 18.6% | 23.8% | 25.4% |
| <i>Adjusted Net Financial Liabilities Ratio</i> | -77.3% | -96.0% | -92.0% |

Asset Renewal Funding Ratio

| | | | |
|---------------------------------------|---------------|-------|--------|
| <u>Net Outlays on Existing Assets</u> | 102.5% | 98.0% | 174.0% |
| Net Asset Renewals - IAMP | | | |

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

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 14 - UNIFORM PRESENTATION OF FINANCES

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

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

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

| | 2019 | 2018 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Income | 7,087,984 | 6,345,618 |
| Expenses | <u>(5,781,786)</u> | <u>(4,767,454)</u> |
| Operating Surplus / (Deficit) | 1,306,198 | 1,578,164 |
| Net Outlays on Existing Assets | | |
| Capital Expenditure on renewal and replacement of Existing Assets | (2,179,340) | (2,046,324) |
| Add back Depreciation, Amortisation and Impairment | 1,470,946 | 1,371,141 |
| Proceeds from Sale of Replaced Assets | <u>182,518</u> | <u>30,455</u> |
| | (525,876) | (644,728) |
| Net Outlays on New and Upgraded Assets | | |
| Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i> | (1,742,105) | (920,224) |
| Amounts received specifically for New and Upgraded Assets | 1,129,950 | 120,000 |
| Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i> | - | 40,000 |
| | <u>(612,155)</u> | <u>(760,224)</u> |
| Net Lending / (Borrowing) for Financial Year | 168,167 | 173,212 |

District Council of Cleve
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 15 – SUPERANNUATION

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

Accumulation only Members

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

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2017-18) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

District Council of Cleve
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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

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

1. LAND UNDER ROADS

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

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 \$280,784 (2018: \$210,653) 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.

DISTRICT COUNCIL OF CLEVE
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 17 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 15 persons were paid the following total compensation:

| | 2019 | 2018 |
|--|----------------|---------|
| | \$ | \$ |
| Salaries, allowances & other short term benefits | 435,333 | 427,260 |
| Post-employment benefits | - | - |
| Long term benefits | - | - |
| Termination benefits | - | - |
| TOTAL | 435,333 | 427,260 |

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

| | 2019 | 2018 |
|--|---------------|--------|
| | \$ | \$ |
| Contributions for fringe benefits tax purposes | - | 8,808 |
| Planning and building applications fees | - | - |
| Rentals for Council property | 19,552 | 29,328 |
| TOTAL | 19,552 | 38,136 |

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

KMP and relatives of KMPs own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. Purchases from Cleve Hotel Motel, Cleve Foodland, Cleve Butcher Shop and Quinns Overnight Freight totalled \$8,639

The following Elected Members are part of the following committees:

- Driver River Landcare Group - 1 Elected Member
- Cleve District Bowling Club - 1 Elected Member
- Eastern Eyre CFS Group - 1 Elected Member
- Cleve SES Group - 1 Elected Member
- Cleve Golf Club - 1 Elected Member

In accordance with the Local Government Act 1999, these Elected Members declared a conflict of interest and left the Council Meeting environs when any matter affecting their club/group is discussed or voted upon.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL REPORT

To the members of the District Council of Cleve

Opinion

We have audited the accompanying financial report of the District Council of Cleve (the Council), which comprises the, the Statement of Financial Position as at 30 June 2019, Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificates.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

Basis for Opinion

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

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

Council's Responsibility for the Financial Report

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

**DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS**



**SAMANTHA CRETEN
PARTNER**

Signed on the 17th day of October 2019,
at 214 Melbourne Street, North Adelaide

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE DISTRICT COUNCIL OF CLEVE

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2018 to 30 June 2019.

Basis for opinion

We have audited the Internal Controls of the District Council of Cleve (Council) under the requirements of *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2018 to 30 June 2019 have been conducted properly and in accordance with law.

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

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

The Council's Responsibility for the Internal Controls

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

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

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

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

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

Limitation on Use

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

Limitations of Controls

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

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

**DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS**



**SAMANTHA CRETEN
PARTNER**

Signed on the 17th day of October 2019
at 214 Melbourne Street, North Adelaide, South Australia, 5006

District Council of Cleve

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2019

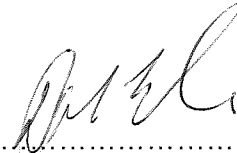
CERTIFICATION OF AUDITOR INDEPENDENCE

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 2019, 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



.....
DAVID FRICK
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 15 OCTOBER 2019

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the District Council of Cleve for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



SAMANTHA CRETEN

Partner

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

Dated this 17th day of October 2019