

# DISTRICT COUNCIL OF CLEVE

## General Purpose Financial Reports for the year ended 30 June 2014

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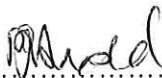
# DISTRICT COUNCIL OF CLEVE

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

### 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 2014 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



.....  
PETER ARNOLD  
CHIEF EXECUTIVE OFFICER



.....  
ROGER NIELD  
MAYOR/COUNCILLOR

Date:

**DISTRICT COUNCIL OF CLEVE**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2014

	Notes	2014 \$	2013 \$
<b>INCOME</b>			
Rates	2	2,536,814	2,384,778
Statutory charges	2	22,248	21,378
User charges	2	127,831	64,228
Grants, subsidies and contributions	2	857,250	1,416,493
Investment income	2	92,665	98,227
Reimbursements	2	64,288	118,138
Other income	2	145,028	56,438
<b>Total Income</b>		<u>3,846,124</u>	<u>4,159,680</u>
<b>EXPENSES</b>			
Employee costs	3	1,370,101	1,307,228
Materials, contracts & other expenses	3	1,346,094	1,246,300
Depreciation, amortisation & impairment	3	1,129,988	1,053,115
Finance costs	3	35,221	28,864
<b>Total Expenses</b>		<u>3,881,404</u>	<u>3,635,507</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(35,280)</b>	524,173
Asset disposal & fair value adjustments	4	(20,229)	12,688
Amounts received specifically for new or upgraded assets	2	<u>963,305</u>	<u>885,238</u>
<b>NET SURPLUS / (DEFICIT)</b>		<b>907,796</b>	1,422,098
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	3,418,441
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(975,456)	-
<b>Total Other Comprehensive Income</b>		<u>(975,456)</u>	<u>3,418,441</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(67,660)</u>	<u>4,840,539</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 2014**

<b>ASSETS</b>	Notes	<b>2014</b> \$	<b>2013</b> \$
<b>Current Assets</b>			
Cash and cash equivalents	5	3,562,759	3,057,883
Trade & other receivables	5	233,132	329,007
Inventories	5	10,701	15,249
<b>Total Current Assets</b>		<u><b>3,806,592</b></u>	<u><b>3,402,139</b></u>
<b>Non-current Assets</b>			
Financial assets	6	56,030	50,680
Infrastructure, property, plant & equipment	7	38,026,573	38,242,788
Other non-current assets	6	706,262	675,835
<b>Total Non-current Assets</b>		<u><b>38,788,865</b></u>	<u><b>38,969,303</b></u>
<b>Total Assets</b>		<u><b>42,595,457</b></u>	<u><b>42,371,442</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	272,510	430,229
Borrowings	8	210,270	191,219
Provisions	8	404,827	167,257
<b>Total Current Liabilities</b>		<u><b>887,607</b></u>	<u><b>788,705</b></u>
<b>Non-current Liabilities</b>			
Borrowings	8	604,263	416,950
Provisions	8	42,515	37,055
<b>Total Non-current Liabilities</b>		<u><b>646,778</b></u>	<u><b>454,005</b></u>
<b>Total Liabilities</b>		<u><b>1,534,385</b></u>	<u><b>1,242,710</b></u>
<b>NET ASSETS</b>		<u><b>41,061,072</b></u>	<u><b>41,128,732</b></u>
<b>EQUITY</b>			
Accumulated Surplus		14,876,811	13,969,015
Asset Revaluation Reserves	9	26,184,261	27,159,717
<b>TOTAL EQUITY</b>		<u><b>41,061,072</b></u>	<u><b>41,128,732</b></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 2014

2014	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	TOTAL EQUITY \$
Balance at end of previous reporting period		13,969,015	27,159,717	41,128,732
<b>Net Surplus / (Deficit) for Year</b>		<b>907,796</b>	-	<b>907,796</b>
<b>Other Comprehensive Income</b>				
Impairment (expense) / recoupments offset to asset revaluation reserve		-	(975,456)	(975,456)
<b>Balance at end of period</b>		<b>14,876,811</b>	<b>26,184,261</b>	<b>41,061,072</b>
<b>2013</b>				
Balance at end of previous reporting period		12,546,917	23,741,276	36,288,193
<b>Net Surplus / (Deficit) for Year</b>		<b>1,422,098</b>	-	<b>1,422,098</b>
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	3,418,441	3,418,441
<b>Balance at end of period</b>		<b>13,969,015</b>	<b>27,159,717</b>	<b>41,128,732</b>

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 2014

	Notes	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		2,577,719	2,358,273
Fees & other charges		24,250	23,075
User charges		186,931	99,596
Investment receipts		87,775	100,079
Grants utilised for operating purposes		865,823	1,522,730
Reimbursements		70,717	129,952
Other revenues		424,173	89,000
<u>Payments</u>			
Employee costs		(1,339,853)	(1,443,911)
Materials, contracts & other expenses		(1,602,026)	(1,331,435)
Finance payments		(32,946)	(28,463)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>1,262,563</b>	<b>1,518,896</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		963,305	885,238
Sale of replaced assets		47,273	99,545
Sale of surplus assets		-	4,273
Sale of real estate developments		28,838	-
Repayments of loans by community groups		12,529	32,264
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(776,138)	(1,145,910)
Expenditure on new/upgraded assets		(1,184,670)	(1,093,579)
Development of real estate for sale		(55,188)	(439,438)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(964,051)</b>	<b>(1,657,607)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from borrowings		350,000	362,000
<u>Payments</u>			
Repayments of borrowings		(143,636)	(79,158)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>206,364</b>	<b>282,842</b>
<b>Net Increase (Decrease) in cash held</b>		<b>504,876</b>	<b>144,131</b>
 Cash & cash equivalents at beginning of period	 11	 <u>3,057,883</u>	 <u>2,913,752</u>
<b>Cash &amp; cash equivalents at end of period</b>	<b>11</b>	<b><u>3,562,759</u></b>	<b><u>3,057,883</u></b>

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 2014

### 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.

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

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

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar (\$).

#### 2 The Local Government Reporting Entity

District Council of Cleve is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Main Street, Cleve. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

#### 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 the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$334,037 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$694,195; and in June 2013, again two quarters of the 2013/14 allocation: \$690,289.

## **District Council of Cleve**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2014

#### **Note 1 - Significant Accounting Policies (cont)**

This year these amounts in advance were adjusted. The total amount adjusted at 30 June 2014 is \$690,289.

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

#### **4 Cash, Cash Equivalents and other Financial Instruments**

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

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

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

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

#### **5 Inventories**

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

##### **5.1 Real Estate Assets Developments**

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

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

##### **5.2 Other Real Estate held for resale**

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

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

#### **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.



## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

#### Note 1 - Significant Accounting Policies (cont)

##### 6.2 Initial Recognition

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

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

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

##### 6.3 Materiality

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

##### 6.4 Subsequent Recognition

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

##### 6.5 Depreciation of Non-Current Assets

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

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

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

##### 6.6 Impairment

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

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

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

#### Note 1 - Significant Accounting Policies (cont)

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

#### 6.7 Borrowing Costs

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

#### 7 Payables

##### 7.1 Goods & Services

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

##### 7.2 Payments Received in Advance & Deposits

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

#### 8 Borrowings

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

#### 9 Employee Benefits

##### 9.1 Salaries, Wages & Compensated Absences

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

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

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

##### 9.2 Superannuation

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

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 1 - Significant Accounting Policies (cont)

##### 10 GST Implications

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

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

##### 11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 127	Separate Financial Statements
AASB 128	Investments in Associates and Joint Ventures
AASB 132	Financial Instruments: Presentation

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2011-7, AASB 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6, AASB 2012-10, AASB 2013-3, AASB 2013-8 and AASB 2013-9.

(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 2014

### Note 2 - INCOME

	Notes	2014 \$	2013 \$
<b>RATES REVENUES</b>			
<u>General Rates</u>		2,161,041	2,051,284
Less: Mandatory rebates		(26,557)	(26,415)
Less: Discretionary rebates, remissions & write offs		(9,086)	(8,930)
		2,125,398	2,015,939
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		66,420	66,340
Waste collection		117,386	103,186
Community Wastewater Management Systems		204,229	194,180
Separate and Special Rates		12,226	-
		400,261	363,706
<u>Other Charges</u>			
Penalties for late payment		21,595	15,443
		21,595	15,443
Less: Discretionary rebates, remissions & write offs		(10,440)	(10,310)
		2,536,814	2,384,778
<b>STATUTORY CHARGES</b>			
Development Act fees		5,468	5,578
Town planning fees		7,820	7,469
Health & Septic Tank Inspection fees		912	-
Animal registration fees & fines		7,762	7,755
Other licences, fees, & fines		286	576
		22,248	21,378
<b>USER CHARGES</b>			
Cemetery/crematoria fees		11,875	12,659
Arno Bay Harbour Fees		24,695	24,145
Sanitation & Garbage Fees		59,639	10,382
Hall & equipment hire		3,047	3,962
Sundry		28,575	13,081
		127,831	64,228
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		88,340	90,814
Banks & other		119	1,086
Loans to community groups		4,206	6,327
		92,665	98,227

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### NOTE 2 - INCOME (continued)

	Notes	2014 \$	2013 \$
<b>REIMBURSEMENTS</b>			
- for roadworks			40,909
- for private works		15,363	18,318
- other		48,925	58,911
		<u>64,288</u>	<u>118,138</u>
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		11,436	-
Rebates received		38,849	30,634
Sundry		94,743	25,804
		<u>145,028</u>	<u>56,438</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		963,305	885,238
Other grants, subsidies and contributions		857,250	1,416,493
		<u>1,820,555</u>	<u>2,301,731</u>

The functions to which these grants relate are shown in Note 2.

#### Sources of grants

Commonwealth government		443,305	218,004
State government		1,377,250	2,033,727
Other		-	50,000
		<u>1,820,555</u>	<u>2,301,731</u>

#### Conditions over grants & contributions

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

Unexpended at the close of the previous reporting period		200,000	200,000
Less: expended during the current period from revenues recognised in previous reporting periods			
CMWS Arno Bay		(3,750)	-
Subtotal		<u>(3,750)</u>	<u>-</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
CMWS Arno Bay		93,400	-
Subtotal		<u>93,400</u>	<u>-</u>
Unexpended at the close of this reporting period		<u>289,650</u>	<u>200,000</u>
Net increase (decrease) in assets subject to conditions in the current reporting period		<u>89,650</u>	<u>-</u>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3 - EXPENSES

	Notes	2014 \$	2013 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		1,160,757	1,110,636
Employee leave expense		191,647	189,063
Superannuation - defined contribution plan contributions	16	81,932	79,848
Superannuation - defined benefit plan contributions	16	32,930	34,477
Workers' Compensation Insurance		67,144	61,073
Other		22,281	21,096
Less: Capitalised and distributed costs		(186,590)	(188,965)
<b>Total Operating Employee Costs</b>		<b>1,370,101</b>	<b>1,307,228</b>
 <b>Total Number of Employees</b>		<b>22</b>	<b>22</b>
<i>(Full time equivalent at end of reporting period)</i>			
 <b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		8,500	8,500
Elected members' expenses		77,137	65,215
Election expenses		720	493
Subtotal - Prescribed Expenses		<b>86,357</b>	<b>74,208</b>
 <u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		211,552	240,349
Energy		66,518	70,837
Maintenance		98,437	94,051
Legal Expenses		19,488	13,304
Levies paid to government - NRM levy		66,849	65,375
- Other Levies		19,683	9,976
Parts, accessories & consumables		44,682	56,387
Professional services		25,430	27,222
Sundry		707,098	594,592
Subtotal - Other Materials, Contracts & Expenses		<b>1,259,737</b>	<b>1,172,093</b>
		<b>1,346,094</b>	<b>1,246,300</b>
 <b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		191,492	187,458
Infrastructure		509,657	508,837
Plant & Equipment		242,101	188,890
Furniture & Fittings		13,064	19,300
Community Wastewater Management Scheme		54,101	34,604
Other Assets		119,573	114,026
<b>Impairment</b>			
Other Assets		975,456	-
		<b>2,105,444</b>	<b>1,053,115</b>
Less: Impairment expense offset to asset revaluation reserve	9	(975,456)	
		<b>1,129,988</b>	<b>1,053,115</b>
 <b>FINANCE COSTS</b>			
Interest on Loans		35,221	28,864
		<b>35,221</b>	<b>28,864</b>

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2014 \$	2013 \$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		47,273	99,545
Less: Carrying amount of assets sold		71,579	84,751
<b>Gain (Loss) on disposal</b>		<u>(24,306)</u>	<u>14,794</u>
<i>Assets surplus to requirements</i>			
Proceeds from disposal		-	4,273
Less: Carrying amount of assets sold		-	6,379
<b>Gain (Loss) on disposal</b>		<u>-</u>	<u>(2,106)</u>
<b>REAL ESTATE DEVELOPMENT ASSETS</b>			
Proceeds from disposal		28,838	-
Less: Carrying amount of assets sold		24,761	-
<b>Gain (Loss) on disposal</b>		<u>4,077</u>	<u>-</u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>		<u>(20,229)</u>	<u>12,688</u>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 5 - CURRENT ASSETS

		2014	2013
<b>CASH &amp; EQUIVALENT ASSETS</b>			
	Notes	\$	\$
Cash on Hand and at Bank		<b>110,646</b>	66,990
Deposits at Call		<b>3,452,113</b>	2,990,893
		<u><b>3,562,759</b></u>	<u>3,057,883</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		<b>160,977</b>	201,882
Accrued Revenues		<b>22,628</b>	17,738
Debtors - general		<b>17,112</b>	65,027
GST Recoupment		<b>19,887</b>	13,953
Loans to community organisations		<b>12,528</b>	30,407
Total		<u><b>233,132</b></u>	<u>329,007</u>
 <b>INVENTORIES</b>			
Stores & Materials		<b>10,701</b>	15,249
		<u><b>10,701</b></u>	<u>15,249</u>



## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 6 - NON-CURRENT ASSETS

	Notes	2014 \$	2013 \$
<b>FINANCIAL ASSETS</b>			
<b>Receivables</b>			
Loans to community organisations		<u>56,030</u>	<u>50,680</u>
		<b>56,030</b>	<b>50,680</b>
 <b>OTHER NON-CURRENT ASSETS</b>			
<b>Inventories</b>			
Real Estate Developments		<u>706,262</u>	<u>675,835</u>
		<b>706,262</b>	<b>675,835</b>
 <i>Real Estate Developments - Current &amp; Non-Current</i> <i>(Valued at the lower of cost and net realisable value)</i>			
<i>Residential</i>		<u>706,262</u>	<u>675,835</u>
<b>Total Real Estate for Resale</b>		<u><b>706,262</b></u>	<u><b>675,835</b></u>
 <i>Represented by:</i>			
<i>Development Costs</i>		<u>706,262</u>	<u>675,835</u>
<b>Total Real Estate for Resale</b>		<u><b>706,262</b></u>	<u><b>675,835</b></u>
 <b>Apportionment of Real Estate Developments</b>			
<i>Non-Current Assets</i>		<u>706,262</u>	<u>675,835</u>
		<b>706,262</b>	<b>675,835</b>

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2013 \$				2014 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	1	2,344,700	-	-	2,344,700	2,344,700	-	-	2,344,700
Buildings & Other Structures	2	8,163,681	1,445,233	(3,279,967)	6,328,947	8,163,682	1,452,729	(3,394,174)	6,222,237
Infrastructure	3	30,262,865	-	(7,890,084)	22,372,781	30,262,865	1,395,622	(8,399,740)	23,258,747
Plant & Equipment		881,011	1,875,773	(1,008,778)	1,748,006	881,011	2,228,276	(1,204,693)	1,904,594
Furniture & Fittings		64,924	122,549	(108,367)	79,106	64,925	128,379	(121,432)	71,872
Community Wastewater Managen		1,375,319	1,564,201	(857,666)	2,081,854	1,375,319	1,564,201	(911,767)	2,027,753
Other assets		2,959,728	1,297,627	(969,961)	3,287,394	2,959,728	233,931	(996,989)	2,196,670
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>46,052,228</b>	<b>6,305,383</b>	<b>(14,114,823)</b>	<b>38,242,788</b>	<b>46,052,230</b>	<b>7,003,138</b>	<b>(15,028,795)</b>	<b>38,026,573</b>
<i>Comparatives</i>		<b>44,105,977</b>	<b>12,492,577</b>	<b>(22,869,451)</b>	<b>33,729,103</b>	<b>46,052,228</b>	<b>6,305,383</b>	<b>(14,114,823)</b>	<b>38,242,788</b>

*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 2014

### Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2013	CARRYING AMOUNT MOVEMENTS DURING YEAR							2014
	\$	\$							\$
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers	Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals							
Land	2,344,700	-	-	-	-	-	-	-	2,344,700
Buildings & Other Structures	6,328,947	28,414	73,642	(17,274)	(191,492)	-	-	-	6,222,237
Infrastructure	22,372,781	773,907	621,716	-	(509,657)	-	-	-	23,258,747
Plant & Equipment	1,748,006	376,045	76,949	(54,305)	(242,101)	-	-	-	1,904,594
Furniture & Fittings	79,106	1,999	3,831	-	(13,064)	-	-	-	71,872
Community Wastewater Management	2,081,854	-	-	-	(54,101)	-	-	-	2,027,753
Other Assets	3,287,394	4,305	-	-	(119,573)	(975,456)	-	-	2,196,670
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>38,242,788</b>	<b>1,184,670</b>	<b>776,138</b>	<b>(71,579)</b>	<b>(1,129,988)</b>	<b>(975,456)</b>	<b>-</b>	<b>-</b>	<b>38,026,573</b>
<b>Comparatives</b>	<b>33,729,103</b>	<b>1,093,579</b>	<b>1,145,911</b>	<b>(91,131)</b>	<b>(1,053,115)</b>	<b>-</b>	<b>-</b>	<b>3,418,441</b>	<b>38,242,788</b>

*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 2014

### 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 restated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

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

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

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

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

*Transition to AASB 13:* The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

*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

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 7 – Property, Plant & Equipment (cont)

Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

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

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

#### Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. 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 revalued as at 30 June 2010 by Mr Gavin Halliday of Maloney Field Services. All acquisitions and additions made since the date of valuation are recorded at cost.

#### Infrastructure

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

## **District Council of Cleve**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014**

#### **Note 7 – Property, Plant & Equipment (cont)**

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

#### **Plant, Furniture & Equipment**

These assets are recognised on the cost basis.

#### **All other assets**

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 8 - LIABILITIES

	Notes	2014		2013	
		\$		\$	
<b>TRADE &amp; OTHER PAYABLES</b>		Current	Non-current	Current	Non-current
Goods & Services		240,863		188,075	
Accrued expenses - employee entitlements		26,688		239,470	
Accrued expenses - other		4,959		2,684	
		<b>272,510</b>	-	<b>430,229</b>	-

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

99,356

#### **BORROWINGS**

Loans		210,270	604,263	191,219	416,950
		<b>210,270</b>	<b>604,263</b>	<b>191,219</b>	<b>416,950</b>

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

#### **PROVISIONS**

Employee entitlements (including oncosts)		404,827	42,515	167,257	37,055
		<b>404,827</b>	<b>42,515</b>	<b>167,257</b>	<b>37,055</b>

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

223,800

117,240

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2013	Net Increments (Decrements)	Transfers, Impairments	30/6/2014
	\$	\$	\$	\$
Asset Revaluation Reserve	27,159,717	-	(975,456 )	<b>26,184,261</b>
<b>TOTAL</b>	<b>27,159,717</b>	<b>-</b>	<b>(975,456 )</b>	<b>26,184,261</b>
<i>Comparatives</i>	<u>23,741,276</u>	<u>3,418,441</u>	<u>-</u>	<u>27,159,717</u>

#### **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 2014

### 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.

		2014	2013
	Notes	\$	\$
<b>CASH &amp; FINANCIAL ASSETS</b>			
Common Television Antenna (CATV) Re-transmission Service		78,873	68,071
CWMS Arno Bay Feasibility Study		289,650	278,550
Cleve CWMS		162,320	33,331
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<b>530,843</b>	<b>379,952</b>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 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	2014 \$	2013 \$
Total cash & equivalent assets	5	<u>3,562,759</u>	<u>3,057,883</u>
Balances per Cash Flow Statement		<u>3,562,759</u>	<u>3,057,883</u>

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

Net Surplus (Deficit)		907,796	1,422,098
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		1,129,988	1,053,115
Net increase (decrease) in unpaid employee benefits		30,248	65,160
Grants for capital acquisitions treated as Investing Activity		(963,305)	(885,238)
Net (Gain) Loss on Disposals		20,229	(12,688)
		<u>1,124,956</u>	<u>1,642,447</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		77,996	22,098
Net (increase) decrease in inventories		4,548	2,590
Net increase (decrease) in trade & other payables		55,063	(148,239)
<b>Net Cash provided by (or used in) operations</b>		<u>1,262,563</u>	<u>1,518,896</u>

**(d) Financing Arrangements**

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

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

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

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### 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	2014	2013	2014	2013	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Administration	2,746,759	3,397,787	-	-	2,746,759	3,397,787	765,455	422,614	7,796,319	7,597,304
Public Order & Safety	11,264	11,110	113,386	108,786	(102,122)	(97,676)	-	-	138,550	138,550
Health	971	615	10,940	10,116	(9,969)	(9,501)	-	-	-	-
Housing & Community Services	168,643	62,517	865,245	757,417	(696,602)	(694,900)	8,986	12,902	4,741,036	4,741,036
Sport Recreation & Culture	88,158	6,259	424,100	421,580	(335,942)	(415,321)	613	117,901	4,217,820	4,207,820
Mining & Manufacture	7,114	13,829	60,207	68,185	(53,093)	(54,356)	-	-	-	-
Transport & Communication	747,939	534,083	1,189,327	1,156,623	(441,388)	(622,540)	1,045,501	1,698,314	23,291,580	22,381,580
Economic Affairs	30,259	34,179	223,510	227,047	(193,251)	(192,868)	-	-	378,280	323,280
Other Purposes	19,311	58,785	546,572	477,528	(527,261)	(418,743)	-	-	2,031,872	2,981,872
Governance	1,678	435	410,592	376,014	(408,914)	(375,579)	-	-	-	-
Support Services	24,028	40,081	35,187	30,391	(11,159)	9,690	-	-	-	-
Social Security & Welfare	-	-	2,338	1,820	(2,338)	(1,820)	-	-	-	-
<b>TOTALS</b>	<b>3,846,124</b>	4,159,680	<b>3,881,404</b>	3,635,507	<b>(35,280)</b>	524,173	<b>1,820,555</b>	2,251,731	<b>42,595,457</b>	42,371,442

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **Administration**

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

#### **Public Order & Safety**

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

#### **Health**

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

#### **Housing & Community Services**

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

#### **Sport Recreation and Culture**

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

#### **Mining & Manufacturing**

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

#### **Transport & Communications**

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

#### **Economic Affairs**

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

#### **Other Purposes N.E.C.**

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

#### **Governance**

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

#### **Support Services**

Accounting/Finance, Payroll, Housing for Council Employees, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services.

#### **Social Security & Welfare**

Senior Citizen community events

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 13 - FINANCIAL INSTRUMENTS

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

##### Accounting Policies - Recognised Financial Instruments

<p><b>Bank, Deposits at Call, Short Term Deposits</b></p>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 2% and 4% (2013: 2% and 4%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<p><b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b></p> <p>Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p>	<p><b>Accounting Policy:</b> 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><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 2% (2013: 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><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<p><b>Receivables - Fees &amp; other charges</b></p>	<p><b>Accounting Policy:</b> 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><b>Terms &amp; conditions:</b> 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><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<p><b>Receivables - other levels of government</b></p>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> 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><b>Carrying amount:</b> approximates fair value.</p>
<p><b>Receivables - Retirement Home Contributions</b></p>	<p><b>Accounting Policy:</b> 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><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<p><b>Liabilities - Creditors and Accruals</b></p>	<p><b>Accounting Policy:</b> 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><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<p><b>Liabilities - Retirement Home Contributions</b></p>	<p><b>Accounting Policy:</b> To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> 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><b>Carrying amount:</b> approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
<p><b>Liabilities - Interest Bearing Borrowings</b></p>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 4% and 7% (2013: 5% and 7%)</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<p><b>Liabilities - Finance Leases</b></p>	<p><b>Accounting Policy:</b> 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 2014

#### Note 13 (cont) - FINANCIAL INSTRUMENTS

##### Liquidity Analysis

2014	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>					
Cash & Equivalents	3,562,759	-	-	3,562,759	3,562,759
Receivables	246,647	-	-	246,647	246,647
<b>Total</b>	<b>3,809,406</b>	<b>-</b>	<b>-</b>	<b>3,809,406</b>	<b>3,809,406</b>
<b>Financial Liabilities</b>					
Payables	240,863	-	-	240,863	240,863
Current Borrowings	247,231	-	-	247,231	210,270
Non-Current Borrowings		592,203	90,749	682,952	604,263
<b>Total</b>	<b>488,094</b>	<b>592,203</b>	<b>90,749</b>	<b>1,171,046</b>	<b>1,055,396</b>
<b>2013</b>					
<b>Financial Assets</b>					
Cash & Equivalents	3,057,883	-	-	3,057,883	3,057,883
Receivables	177,805	-	-	177,805	177,805
<b>Total</b>	<b>3,235,688</b>	<b>-</b>	<b>-</b>	<b>3,235,688</b>	<b>3,235,688</b>
<b>Financial Liabilities</b>					
Payables	878,364	-	-	878,364	188,075
Current Borrowings	216,094	-	-	216,094	191,219
Non-Current Borrowings		431,864	36,515	468,379	416,950
<b>Total</b>	<b>1,094,458</b>	<b>431,864</b>	<b>36,515</b>	<b>1,562,837</b>	<b>796,244</b>

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

	30 June 2014		30 June 2013	
	Weighted Average Interest Rate %	Carrying Value \$	Weighted Average Interest Rate %	Carrying Value \$
Overdraft				
Other Variable Rates	4.75	68,558	5	97,821
Fixed Interest Rates	5.23	745,975	5.2	510,348
		<u>814,533</u>		<u>608,169</u>

#### Net Fair Value

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

#### Risk Exposures

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

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

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

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 14 - FINANCIAL INDICATORS

	2014	2013	2012
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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>	(1%)	23%	19%
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**

	27%	23%	2%
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*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

#### **Net Financial Liabilities Ratio**

<u>Net Financial Liabilities</u>	(61%)	(54%)	(51%)
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>	65%	99%	66%
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 2014

#### Note 15 - UNIFORM PRESENTATION OF FINANCES

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

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

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

	2014 \$	2013 \$
Income	3,846,124	4,159,680
<i>less</i> Expenses	<u>3,881,404</u>	<u>3,635,507</u>
<b>Operating Surplus / (Deficit)</b>	<b>(35,280)</b>	<b>524,173</b>
<b><i>less</i> Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	776,138	1,145,910
Depreciation, Amortisation and Impairment	(1,129,988)	(1,053,115)
Proceeds from Sale of Replaced Assets	<u>(47,273)</u>	<u>(99,545)</u>
	<b>(401,123)</b>	<b>(6,750)</b>
<b><i>less</i> Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property &amp; real estate developments)</i>	1,239,858	1,533,017
Amounts received specifically for New and Upgraded Assets	(963,305)	(885,238)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>(28,838)</u>	<u>(4,273)</u>
	<b>247,715</b>	<b>643,506</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>118,128</u></b>	<b><u>(112,583)</u></b>



# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 16 – SUPERANNUATION

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

#### Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9% in 2013/14; 9% in 2012/13). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2012/13) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, 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 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 2014

### Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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

**1. LAND UNDER ROADS**

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

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

**2. POTENTIAL INSURANCE LOSSES**

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

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

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

**3. BANK GUARANTEES**

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$68,558 (2013 \$97,821) at reporting date.

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

**4. LEGAL EXPENSES**

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of nil appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

**5. BOUNDARY ADJUSTMENT**

As at the 1 July 2014 a boundary change was approved between the District Council of Franklin Harbour and the District Council of Cleve. This included that the hundreds of Mangalo and Heggaton are included in the District Council of Cleve. This change involves approximately 149 km of unsealed roads, 11.45 kilometres of sealed road, two bridges, approximately 492km<sup>2</sup> in area containing 59 rating assessments and a population of approximately 62 people.

**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 2014 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 2014.

**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 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011.

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

**IAN G MC DONALD FCA  
CHARTERED ACCOUNTANT  
REGISTERED COMPANY AUDITOR**

Liability limited by a scheme approved under Professional Standards Legislation

Signed 29<sup>th</sup> day of October 2014, at Adelaide, South Australia

**DISTRICT COUNCIL OF CLEVE**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2014**

**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 2014, the Council's Auditor, Ian G McDonald, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



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



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

Date:

**DISTRICT COUNCIL OF CLEVE**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2014**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of District Council of Cleve for the year ended 30 June 2014, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



**Ian G McDonald FCA**

Dated this 19 day of August 2014