

DISTRICT COUNCIL OF CLEVE

General Purpose Financial Reports for the year ended 30 June 2015

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DISTRICT COUNCIL OF CLEVE

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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 2015 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: 13 10 2015

DISTRICT COUNCIL OF CLEVE

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
INCOME			
Rates	2	2,892,253	2,536,814
Statutory charges	2	25,864	22,248
User charges	2	178,976	127,831
Grants, subsidies and contributions	2	2,045,370	857,250
Investment income	2	107,945	92,665
Reimbursements	2	185,414	64,288
Other income	2	176,757	145,028
Total Income		<u>5,612,579</u>	<u>3,846,124</u>
EXPENSES			
Employee costs	3	1,494,465	1,370,101
Materials, contracts & other expenses	3	1,526,591	1,346,094
Depreciation, amortisation & impairment	3	1,266,781	1,129,988
Finance costs	3	50,850	35,221
Total Expenses		<u>4,338,687</u>	<u>3,881,404</u>
OPERATING SURPLUS / (DEFICIT)		1,273,892	(35,280)
Asset disposal & fair value adjustments	4	20,166	(20,229)
Amounts received specifically for new or upgraded assets	2	807,091	963,305
NET SURPLUS / (DEFICIT)		2,101,149	907,796
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	(2,436,615)	-
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(333,754)	(975,456)
Net assets transferred - Council restructure	9	3,443,546	-
Total Other Comprehensive Income		<u>673,177</u>	<u>(975,456)</u>
TOTAL COMPREHENSIVE INCOME		<u>2,774,326</u>	<u>(67,660)</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 2015**

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	5,004,613	3,562,759
Trade & other receivables	5	305,154	233,132
Inventories	5	14,705	10,701
Total Current Assets		<u>5,324,472</u>	<u>3,806,592</u>
Non-current Assets			
Financial assets	6	1,370	56,030
Infrastructure, property, plant & equipment	7	39,515,487	38,026,573
Other non-current assets	6	712,433	706,262
Total Non-current Assets		<u>40,229,290</u>	<u>38,788,865</u>
Total Assets		<u>45,553,762</u>	<u>42,595,457</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	172,965	272,510
Borrowings	8	218,204	210,270
Provisions	8	421,291	404,827
Total Current Liabilities		<u>812,460</u>	<u>887,607</u>
Non-current Liabilities			
Borrowings	8	864,895	604,263
Provisions	8	41,009	42,515
Total Non-current Liabilities		<u>905,904</u>	<u>646,778</u>
Total Liabilities		<u>1,718,364</u>	<u>1,534,385</u>
NET ASSETS		<u>43,835,398</u>	<u>41,061,072</u>
EQUITY			
Accumulated Surplus		16,587,791	14,876,811
Asset Revaluation Reserves	9	26,857,438	26,184,261
Other Reserves	9	390,169	-
TOTAL EQUITY		<u>43,835,398</u>	<u>41,061,072</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 2015

2015	Note s	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	TOTAL EQUITY \$
Balance at end of previous reporting period		14,876,811	26,184,261	-	41,061,072
Restated opening balance		14,876,811	26,184,261	-	41,061,072
Net Surplus / (Deficit) for Year		2,101,149			2,101,149
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment			(2,436,615)		(2,436,615)
Impairment (expense) / recoupments offset to asset revaluation reserve			(333,754)		(333,754)
Net assets transferred - Council restructure			3,443,546		-
Transfers between reserves		(390,169)		390,169	-
Balance at end of period		16,587,791	26,857,438	390,169	40,391,852
2014					
Balance at end of previous reporting period		13,969,015	27,159,717	-	41,128,732
Restated opening balance		13,969,015	27,159,717	-	41,128,732
Net Surplus / (Deficit) for Year		907,796			907,796
Other Comprehensive Income					
Impairment (expense) / recoupments offset to asset revaluation reserve			(975,456)		(975,456)
Balance at end of period		14,876,811	26,184,261	-	41,061,072

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 2015

	Notes	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		2,881,415	2,577,719
Fees & other charges		25,924	24,250
User charges		191,864	186,931
Investment receipts		109,614	87,775
Grants utilised for operating purposes		2,045,370	865,823
Reimbursements		203,955	70,717
Other revenues		462,421	424,173
<u>Payments</u>			
Employee costs		(1,473,254)	(1,339,853)
Materials, contracts & other expenses		(2,023,997)	(1,602,026)
Finance payments		(22,186)	(32,946)
Net Cash provided by (or used in) Operating Activities		2,401,126	1,262,563
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		807,091	963,305
Sale of replaced assets		63,182	47,273
Sale of real estate developments		-	28,838
Repayments of loans by community groups		33,594	12,529
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,350,238)	(776,138)
Expenditure on new/upgraded assets		(775,296)	(1,184,670)
Development of real estate for sale		(6,171)	(55,188)
Net Cash provided by (or used in) Investing Activities		(1,227,838)	(964,051)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		450,000	350,000
<u>Payments</u>			
Repayments of borrowings		(181,434)	(143,636)
Net Cash provided by (or used in) Financing Activities		268,566	206,364
Net Increase (Decrease) in cash held		1,441,854	504,876
Cash & cash equivalents at beginning of period	11	<u>3,562,759</u>	<u>3,057,883</u>
Cash & cash equivalents at end of period	11	<u>5,004,613</u>	<u>3,562,759</u>

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

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

2 The Local Government Reporting Entity

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

3 Income recognition

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

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$334,037 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$694,195; and in June 2013, again two quarters of the 2013/14 allocation: \$690,289. Accordingly, the operating results of these periods were distorted compared to those that would have been reported had the grants been paid in a consistent manner.

These amounts in advance were adjusted in the 2013/14 financial year. The total amount of the adjustment was \$690,289 which has adversely affected the operating result for that year. In June 2014/15, again two quarters of the 2015/16 allocation: \$691,772 was paid in advance.

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Inventories

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

5.1 Real Estate Assets Developments

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

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

5.2 Other Real Estate held for resale

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

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

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

6.2 Initial Recognition

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

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

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

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

6.6 Impairment

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

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

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

6.7 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

Weighted average discount rate	7.88% (2014, 6.73%)
Weighted average settlement period	2.12 years (2014, 1.82 years)

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

District Council of Cleve

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 1 - Significant Accounting Policies (cont)

9.2 Superannuation

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

10 GST Implications

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

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

11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been used in preparing these reports.

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

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 14-10, AASB 15-1, AASB 15-2, AASB 15-3, AASB 15-4, AASB 15-5 and AASB 2015-6.

(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 2015

Note 2 - INCOME

	Notes	2015 \$	2014 \$
RATES REVENUES			
<u>General Rates</u>		2,482,177	2,161,041
Less: Mandatory rebates		(27,733)	(26,557)
Less: Discretionary rebates, remissions & write offs		(12,105)	(9,086)
		2,442,339	2,125,398
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		71,711	66,420
Waste collection		144,550	117,386
Community Wastewater Management Systems		215,040	204,229
Separate and Special Rates		12,612	12,226
		443,913	400,261
<u>Other Charges</u>			
Penalties for late payment		18,229	21,595
		18,229	21,595
Less: Discretionary rebates, remissions & write offs		(12,228)	(10,440)
		2,892,253	2,536,814
STATUTORY CHARGES			
Development Act fees		7,288	5,468
Town planning fees		9,837	7,820
Health & Septic Tank Inspection fees		1,464	912
Animal registration fees & fines		7,275	7,762
Other licences, fees, & fines		-	286
		25,864	22,248
USER CHARGES			
Cemetery/crematoria fees		14,129	11,875
Arno Bay Harbour Fees		21,867	24,695
Sanitation & Garbage Fees		112,554	59,639
Hall & equipment hire		3,268	3,047
Sundry		27,158	28,575
		178,976	127,831
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		104,761	88,340
Banks & other		44	119
Loans to community groups		3,140	4,206
		107,945	92,665
REIMBURSEMENTS			
- for private works		41,130	15,363
- other		144,284	48,925
		185,414	64,288
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		3,244	11,436
Rebates received		29,930	38,849
Sundry		143,583	94,743
		176,757	145,028

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

NOTE 2 - INCOME (continued)

	Notes	2015 \$	2014 \$
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		807,091	963,305
Individually Significant Item		691,772	-
Other grants, subsidies and contributions		<u>1,353,598</u>	<u>857,250</u>
		<u>2,852,461</u>	<u>1,820,555</u>

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

Sources of grants

Commonwealth government		267,091	443,305
State government		<u>2,585,370</u>	<u>1,377,250</u>
		<u>2,852,461</u>	<u>1,820,555</u>

Individually Significant Item

On 30 June 2015, Council received payment of the first two instalments of the 2015/16 Financial Assistance Grants. This represent a significant increase in income from this source for 2014/15, with an equivalent reduction in a future year.

		691,772	-
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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		289,650	200,000
Less: expended during the current period from revenues recognised in previous reporting periods			
CMWS Arno Bay		<u>(27,746)</u>	<u>(3,750)</u>
Subtotal		<u>(27,746)</u>	<u>(3,750)</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
CMWS Arno Bay		<u>7,042</u>	<u>93,400</u>
Subtotal		<u>7,042</u>	<u>93,400</u>
Unexpended at the close of this reporting period		<u>268,946</u>	<u>289,650</u>
Net increase (decrease) in assets subject to conditions in the current reporting period		<u>(20,704)</u>	<u>89,650</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 3 - EXPENSES

	Notes	2015 \$	2014 \$
EMPLOYEE COSTS			
Salaries and Wages		1,224,860	1,160,757
Employee leave expense		189,883	191,647
Superannuation - defined contribution plan contributions	16	91,378	81,932
Superannuation - defined benefit plan contributions	16	34,500	32,930
Workers' Compensation Insurance		63,367	67,144
Other		23,671	22,281
Less: Capitalised and distributed costs		<u>(133,194)</u>	<u>(186,590)</u>
Total Operating Employee Costs		<u>1,494,465</u>	<u>1,370,101</u>
Total Number of Employees		23	22
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		8,500	8,500
Elected members' expenses		60,841	77,137
Election expenses		6,157	720
Subtotal - Prescribed Expenses		<u>75,498</u>	<u>86,357</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		213,142	211,552
Energy		67,522	66,518
Maintenance		172,115	98,437
Legal Expenses		17,757	19,488
Levies paid to government - NRM levy		71,173	66,849
- Other Levies		21,583	19,683
Parts, accessories & consumables		46,903	44,682
Professional services		50,158	25,430
Sundry		790,740	707,098
Subtotal - Other Materials, Contracts & Expenses		<u>1,451,093</u>	<u>1,259,737</u>
		<u>1,526,591</u>	<u>1,346,094</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 3 - EXPENSES (cont)

	Notes	2015 \$	2014 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		191,861	191,492
Infrastructure		651,604	509,657
Plant & Equipment		237,664	242,101
Furniture & Fittings		19,067	13,064
Community Wastewater Management Scheme		54,135	54,101
Other Assets		112,450	119,573
Impairment			
Other Assets		-	975,456
Buildings & Other Structures		333,754	-
		<u>1,600,535</u>	<u>2,105,444</u>
Less: Impairment expense offset to asset revaluation reserve	9	<u>(333,754)</u>	<u>(975,456)</u>
		<u>1,266,781</u>	<u>1,129,988</u>
FINANCE COSTS			
Interest on Loans		<u>50,850</u>	<u>35,221</u>
		<u>50,850</u>	<u>35,221</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	2015	2014
Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	63,182	47,273
Less: Carrying amount of assets sold	43,016	71,579
Gain (Loss) on disposal	20,166	(24,306)
 REAL ESTATE DEVELOPMENT ASSETS		
Proceeds from disposal	-	28,838
Less: Carrying amount of assets sold	-	24,761
Gain (Loss) on disposal	-	4,077
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		
	20,166	(20,229)

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 5 - CURRENT ASSETS

	2015	2014
CASH & EQUIVALENT ASSETS		
	Notes	
	\$	\$
Cash on Hand and at Bank	120,686	110,646
Deposits at Call	4,883,927	3,452,113
	<u>5,004,613</u>	<u>3,562,759</u>
TRADE & OTHER RECEIVABLES		
Rates - General & Other	196,687	160,977
Accrued Revenues	20,959	22,628
Debtors - general	22,122	17,112
GST Recoupment	21,926	19,887
Prepayments	9,866	-
Loans to community organisations	33,594	12,528
	<u>305,154</u>	<u>233,132</u>
INVENTORIES		
Stores & Materials	14,705	10,701
	<u>14,705</u>	<u>10,701</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 6 - NON-CURRENT ASSETS

	Notes	2015 \$	2014 \$
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		1,370	56,030
TOTAL FINANCIAL ASSETS		<u>1,370</u>	<u>56,030</u>
 OTHER NON-CURRENT ASSETS			
Inventories			
Real Estate Developments		712,433	706,262
		<u>712,433</u>	<u>706,262</u>
 <i>Real Estate Developments - Current & Non-Current</i> <i>(Valued at the lower of cost and net realisable value)</i>			
<i>Residential</i>		712,433	706,262
Total Real Estate for Resale		<u>712,433</u>	<u>706,262</u>
 <i>Represented by:</i>			
<i>Development Costs</i>		712,433	706,262
Total Real Estate for Resale		<u>712,433</u>	<u>706,262</u>
 Apportionment of Real Estate Developments			
<i>Non-Current Assets</i>		712,433	706,262
		<u>712,433</u>	<u>706,262</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2014				2015			
		\$							
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	2,344,700	-	-	2,344,700	2,504,200	-	-	2,504,200
Buildings & Other Structures	2	8,163,682	1,452,729	(3,394,174)	6,222,237	8,209,637	9,417	(4,448,035)	3,771,019
Buildings & Other Structures	3	-	-	-	-	698,663	308,730	(1,007,393)	-
Infrastructure	3	30,262,865	1,395,622	(8,399,740)	23,258,747	-	38,883,774	(11,502,380)	27,381,394
Plant & Equipment		881,011	2,228,276	(1,204,693)	1,904,594	-	3,423,816	(1,393,640)	2,030,176
Furniture & Fittings		64,925	128,379	(121,432)	71,872	-	176,973	(119,009)	57,964
Community Wastewater Management Scheme	3	1,375,319	1,564,201	(911,767)	2,027,753	2,081,855	857,665	(965,902)	1,973,618
Other Assets	3	2,959,728	233,931	(996,989)	2,196,670	2,183,973	65,261	(452,118)	1,797,116
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		46,052,230	7,003,138	(15,028,795)	38,026,573	15,678,328	43,725,636	(19,888,477)	39,515,487
<i>Comparatives</i>		46,052,228	6,305,383	(14,114,823)	38,242,788	46,052,230	7,003,138	(15,028,795)	38,026,573

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 2015

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2014	CARRYING AMOUNT MOVEMENTS DURING YEAR						2015	
	\$	\$						\$	
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers In	Net Revaluation	CARRYING AMOUNT
		New/Upgrade	Renewals						
Land	2,344,700	-	-	-	-	-	-	159,500	2,504,200
Buildings & Other Structures	6,222,237	2,411	315,736	-	(191,861)	(333,754)	-	(2,243,750)	3,771,019
Infrastructure	23,258,747	674,749	655,956	-	(651,604)	-	3,443,546	-	27,381,394
Plant & Equipment	1,904,594	29,350	374,347	(40,451)	(237,664)	-	-	-	2,030,176
Furniture & Fittings	71,872	3,525	4,199	(2,565)	(19,067)	-	-	-	57,964
Community Wastewater Management	2,027,753	-	-	-	(54,135)	-	-	-	1,973,618
Other Assets	2,196,670	65,261	-	-	(112,450)	-	-	(352,365)	1,797,116
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	38,026,573	775,296	1,350,238	(43,016)	(1,266,781)	(333,754)	3,443,546	(2,436,615)	39,515,487
<i>Comparatives</i>	38,242,788	1,184,670	776,138	(71,579)	(1,129,988)	(975,456)	-	-	38,026,573

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 2015

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

Coalface SA Council

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

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:

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

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Land was revalued as at 1 July 2014 by Liquid Pacific Holdings Pty Ltd. Additions are recognised at cost.

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.

Buildings & Other Assets

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

Infrastructure

Transportation assets were valued by Gayler Professional Services at depreciated current replacement cost during the reporting period ended 30 June 2014, based on actual costs incurred during the reporting periods ended 30 June 2013 and 2014. All acquisitions made after the respective dates of valuation are recorded at cost.

Coalface SA Council

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 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. 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 2015

Note 8 - LIABILITIES

	Notes	2015		2014	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		77,827	-	240,863	-
Payments received in advance		24,932	-	-	-
Accrued expenses - employee entitlements		32,941	-	26,688	-
Accrued expenses - other		37,265	-	4,959	-
		<u>172,965</u>	<u>-</u>	<u>272,510</u>	<u>-</u>
 BORROWINGS					
Loans		218,204	864,895	210,270	604,263
		<u>218,204</u>	<u>864,895</u>	<u>210,270</u>	<u>604,263</u>

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

PROVISIONS

Employee entitlements (including oncosts)		421,291	41,009	404,827	42,515
		<u>421,291</u>	<u>41,009</u>	<u>404,827</u>	<u>42,515</u>

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

235,614

223,800

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2014	Net Increments (Decrements)	Transfers, Impairments	30/6/2015
Notes	\$	\$	\$	\$
Asset Revaluation Reserve	26,184,261	1,006,931	(333,754)	26,857,438
TOTAL	26,184,261	1,006,931	(333,754)	26,857,438
<i>Comparatives</i>	<u>27,159,717</u>	<u>-</u>	<u>(975,456)</u>	<u>26,184,261</u>

OTHER RESERVES	1/7/2014	Transfers to Reserve	Transfers from Reserve	30/6/2015
CATV Re -transmission Service	-	91,866	-	91,866
Cleve CWMS	-	298,303	-	298,303
TOTAL OTHER RESERVES	-	390,169	-	390,169
<i>Comparatives</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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).

(Other Reserves - LGFA)

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

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

	Notes	2015 \$	2014 \$
CASH & FINANCIAL ASSETS			
Grant Funding for CWMS Arno Bay Feasibility Study		<u>268,946</u>	<u>289,650</u>
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		<u>268,946</u>	<u>289,650</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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 Statement of Financial Position as follows:

	Notes	2015 \$	2014 \$
Total cash & equivalent assets	5	<u>5,004,613</u>	<u>3,562,759</u>
Balances per Cash Flow Statement		<u>5,004,613</u>	<u>3,562,759</u>

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

Net Surplus (Deficit)	2,101,149	907,796
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,266,781	1,129,988
Net increase (decrease) in unpaid employee benefits	21,211	30,248
Grants for capital acquisitions treated as Investing Activity	(807,091)	(963,305)
Net (Gain) Loss on Disposals	<u>(20,166)</u>	<u>20,229</u>
	2,561,884	1,124,956
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(50,956)	77,996
Net (increase) decrease in inventories	(4,004)	4,548
Net increase (decrease) in trade & other payables	<u>(105,798)</u>	<u>55,063</u>
Net Cash provided by (or used in) operations	<u>2,401,126</u>	<u>1,262,563</u>

(c) Financing Arrangements

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

Bank Overdrafts	150,000	150,000
Corporate Credit Cards	16,000	15,000
LGFA Cash Advance Debenture facility	420,000	-

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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	2015	2014	2015	2014	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Administration	3,646,265	2,746,759	-	-	3,646,265	2,746,759	1,444,914	765,455	7,996,319	7,796,319
Public Order & Safety	11,210	11,264	115,200	113,386	(103,990)	(102,122)	-	-	143,550	138,550
Health	1,499	971	17,305	10,940	(15,806)	(9,969)	-	-	-	-
Housing & Community Services	150,470	168,643	837,358	865,245	(686,888)	(696,602)	3,300	8,986	4,141,036	4,741,036
Sport Recreation & Culture	5,056	88,158	399,632	424,100	(394,576)	(335,942)	651	613	4,283,081	4,217,820
Mining & Manufacture	10,199	7,114	50,772	60,207	(40,573)	(53,093)	-	-	-	-
Transport & Communication	1,504,434	747,939	1,665,764	1,189,327	(161,330)	(441,388)	1,403,596	1,045,501	26,534,593	23,291,580
Economic Affairs	32,669	30,259	206,379	223,510	(173,710)	(193,251)	-	-	408,310	378,280
Other Purposes	207,489	19,311	603,771	546,572	(396,282)	(527,261)	-	-	2,046,873	2,031,872
Governance	-	1,678	421,963	410,592	(421,963)	(408,914)	-	-	-	-
Support Services	43,288	24,028	16,343	35,187	26,945	(11,159)	-	-	-	-
Social Security & Welfare	-	-	4,200	2,338	(4,200)	(2,338)	-	-	-	-
TOTALS	5,612,579	3,846,124	4,338,687	3,881,404	1,273,892	(35,280)	2,852,461	1,820,555	45,553,762	42,595,457

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 2015

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 2015

Note 13 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits **Accounting Policy:** Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & conditions: Deposits are returning fixed interest rates between 0% and 3% (2014: 2% and 4%). Short term deposits have an average maturity of 24 hours and an average interest rates of 2.36% (2014: 24 hours, 2.53%).

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges (including legals & penalties for late payment) **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.

Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.

Terms & conditions: Secured over the subject land, arrears attract interest of 2% (2014:2%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - Fees & other charges **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.

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.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - other levels of government **Accounting Policy:** Carried at nominal value.

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.

Carrying amount: approximates fair value.

Liabilities - Creditors and Accruals **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.

Terms & conditions: Liabilities are normally settled on 30 day terms.

Carrying amount: approximates fair value.

Liabilities - Interest Bearing Borrowings **Accounting Policy:** Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & conditions: secured over future revenues, borrowings are repayable; interest is charged at fixed (or variable) rates between 4% and 7% (2014: 4% and 7%)

Carrying amount: approximates fair value.

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	5,004,613	-	-	5,004,613	5,004,613
Receivables	108,467	1,370	-	109,837	109,837
Total	5,113,080	1,370	-	5,114,450	5,114,450
Financial Liabilities					
Payables	102,759	-	-	102,759	102,759
Current Borrowings	269,377	-	-	269,377	218,204
Non-Current Borrowings	-	696,990	349,144	1,046,134	864,895
Total	372,136	696,990	349,144	1,418,270	1,185,858
2014	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	3,562,759	-	-	3,562,759	3,562,759
Receivables	246,647	-	-	246,647	246,647
Total	3,809,406	-	-	3,809,406	3,809,406
Financial Liabilities					
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
Total	488,094	592,203	90,749	1,171,046	1,055,396

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

	30 June 2015		30 June 2014	
	Weighted Average Interest Rate %	Carrying Value \$	Weighted Average Interest Rate %	Carrying Value \$
Other Variable Rates	4.25	34,964	4.75	68,558
Fixed Interest Rates	5.14	1,048,135	5.23	745,975
		<u>1,083,099</u>		<u>814,533</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 2015

Note 14 - FINANCIAL INDICATORS

2015 2014 2013

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>	45%	(1%)	23%
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

	21%	27%	23%
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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>	(64%)	(60%)	(53%)
Total Operating Revenue			

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.

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	103%	86%	99%
Infrastructure & Asset Management Plan required expenditure			*

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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

	2015 \$	2014 \$
Income	5,612,579	3,846,124
less Expenses	<u>4,338,687</u>	<u>3,881,404</u>
Operating Surplus / (Deficit)	1,273,892	(35,280)
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	1,350,238	776,138
Depreciation, Amortisation and Impairment	(1,266,781)	(1,129,988)
Proceeds from Sale of Replaced Assets	<u>(63,182)</u>	<u>(47,273)</u>
	20,275	(401,123)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	781,467	1,239,858
Amounts received specifically for New and Upgraded Assets	(807,091)	(963,305)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	(28,838)
	<u>(25,624)</u>	<u>247,715</u>
Net Lending / (Borrowing) for Financial Year	<u>1,279,241</u>	<u>118,128</u>

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 16 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2014/15; 9.25% in 2013/14). 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 2013/14) of "superannuation" salary.

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

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

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

DISTRICT COUNCIL OF CLEVE

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position 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 \$34,964 (2014: \$68,558) 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 492km² 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

We have audited the accompanying financial report of the District Council of Cleve which comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, summary of significant accounting policies, other explanatory notes and the certification of financial statement for the year ended 30 June 2015.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud 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.

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

Independence

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

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the District Council of Cleve as of 30 June 2015, 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 McDonald FCA
Chartered Accountant
Registered Company Auditor

Liability limited by a scheme approved under Professional Standards Legislation

Signed this 18th day of October 2015, at Adelaide, South Australia

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Adelaide SA 5000

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DISTRICT COUNCIL OF CLEVE

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015**

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 2015, the Council's Auditor, Ian G McDonald FCA, 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: 13.10.2015



District Council of Cleve
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2015

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of the District Council of Cleve for the year ended 30 June 2015, 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*.

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

Ian G McDonald FCA

Dated this 27th day of August 2015

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