

# DISTRICT COUNCIL OF CLEVE

## General Purpose Financial Reports for the year ended 30 June 2017

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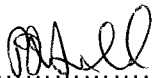
# DISTRICT COUNCIL OF CLEVE

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

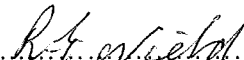
### CERTIFICATION OF FINANCIAL STATEMENTS

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 2017 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: 14 November 2017

**DISTRICT COUNCIL OF CLEVE**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>INCOME</b>			
Rates	2	3,165,312	3,028,976
Statutory charges	2	21,502	23,411
User charges	2	167,602	191,656
Grants, subsidies and contributions	2	2,662,206	1,401,655
Investment income	2	112,016	124,545
Reimbursements	2	167,338	101,756
Other income	2	112,713	88,158
<b>Total Income</b>		<u>6,408,689</u>	<u>4,960,157</u>
<b>EXPENSES</b>			
Employee costs	3	1,516,313	1,478,547
Materials, contracts & other expenses	3	1,199,716	1,184,837
Depreciation, amortisation & impairment	3	1,324,926	1,263,481
Finance costs	3	50,991	56,129
<b>Total Expenses</b>		<u>4,091,946</u>	<u>3,982,994</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>2,316,743</b>	977,163
Asset disposal & fair value adjustments	4	10,674	(209,020)
Amounts received specifically for new or upgraded assets	2	169,615	1,336,205
<b>NET SURPLUS / (DEFICIT)</b>		<u>2,497,032</u>	<u>2,104,348</u>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	(80,650)	(765,429)
<b>Total Other Comprehensive Income</b>		<u>(80,650)</u>	<u>(765,429)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>2,416,382</u>	<u>1,338,919</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 2017

<b>ASSETS</b>	Notes	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	7,011,894	5,898,807
Trade & other receivables	5	449,368	381,350
Inventories	5	9,634	8,861
<b>Total Current Assets</b>		<u>7,470,896</u>	<u>6,289,018</u>
<b>Non-current Assets</b>			
Financial assets	6	65,000	68,013
Infrastructure, property, plant & equipment	7	40,960,882	40,129,181
Other non-current assets	6	707,873	683,603
<b>Total Non-current Assets</b>		<u>41,733,755</u>	<u>40,880,797</u>
<b>Total Assets</b>		<u>49,204,651</u>	<u>47,169,815</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	177,233	283,207
Borrowings	8	205,507	254,537
Provisions	8	423,464	462,729
<b>Total Current Liabilities</b>		<u>806,204</u>	<u>1,000,473</u>
<b>Non-current Liabilities</b>			
Borrowings	8	757,388	962,983
Provisions	8	50,360	32,042
<b>Total Non-current Liabilities</b>		<u>807,748</u>	<u>995,025</u>
<b>Total Liabilities</b>		<u>1,613,952</u>	<u>1,995,498</u>
<b>NET ASSETS</b>		<u>47,590,699</u>	<u>45,174,317</u>
<b>EQUITY</b>			
Accumulated Surplus		20,936,094	18,547,957
Asset Revaluation Reserves	9	26,011,359	26,092,009
Other Reserves	9	643,246	534,351
<b>TOTAL EQUITY</b>		<u>47,590,699</u>	<u>45,174,317</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

		Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2017	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		18,547,957	26,092,009	534,351	45,174,317
Restated opening balance		18,547,957	26,092,009	534,351	45,174,317
Net Surplus / (Deficit) for Year		2,497,032			2,497,032
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment			(80,650)		(80,650)
Transfers between reserves		(108,895)		108,895	-
Balance at end of period		20,936,094	26,011,359	643,246	47,590,699
2016					
Balance at end of previous reporting period		16,587,791	26,857,438	390,169	43,835,398
Restated opening balance		16,587,791	26,857,438	390,169	43,835,398
Net Surplus / (Deficit) for Year		2,104,348			2,104,348
Other Comprehensive Income					
Changes in revaluation surplus - infrastructure, property, plant & equipment			(765,429)		(765,429)
Transfers between reserves		(144,182)		144,182	-
Balance at end of period		18,547,957	26,092,009	534,351	45,174,317

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 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		3,143,344	2,991,526
Fees & other charges		23,210	25,211
User charges		90,364	219,195
Investment receipts		126,881	107,059
Grants utilised for operating purposes		2,811,023	1,401,655
Reimbursements		184,072	111,932
Other revenues		414,026	536,751
<u>Payments</u>			
Employee costs		(1,539,588)	(1,422,133)
Materials, contracts & other expenses		(1,764,282)	(1,584,135)
Finance payments		(59,834)	(80,909)
<b>Net Cash provided by (or used in) Operating Activities</b>	11	<b>3,429,216</b>	<b>2,306,152</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		169,615	1,336,205
Sale of replaced assets		65,091	314,679
Sale of real estate developments		-	40,000
Repayments of loans by community groups		19,754	15,210
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,188,712)	(1,103,121)
Expenditure on new/upgraded assets		(127,252)	(2,074,352)
Loans made to community groups		-	(75,000)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(2,061,504)</b>	<b>(1,546,379)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from borrowings		-	350,000
<u>Payments</u>			
Repayments of borrowings		(254,625)	(215,579)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(254,625)</b>	<b>134,421</b>
<b>Net Increase (Decrease) in cash held</b>		<b>1,113,087</b>	<b>894,194</b>
Cash & cash equivalents at beginning of period	11	5,898,807	5,004,613
<b>Cash &amp; cash equivalents at end of period</b>	11	<b>7,011,894</b>	<b>5,898,807</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 2017

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

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

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

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

##### 1.4 Rounding

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

#### 2 The Local Government Reporting Entity

District Council of Cleve is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Main Street, Cleve, SA 5640. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

#### 3 Income recognition

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

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

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

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

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

	Cash Payment Received	Annual Allocation		Difference
2014/15	\$2,564,619	\$1,872,847	+ / -	\$691,772
2015/16	\$631,938	\$1,323,710	+ / -	\$-691,772
2016/17	\$2,036,887	\$1,344,427	+ / -	\$692,460

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

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

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

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

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

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

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

#### 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 2017

#### 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 values 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 carried at fair value whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not assessed for impairment.

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

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

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

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

#### 6.7 Borrowing Costs

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

#### 7 Payables

##### 7.1 Goods & Services

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

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

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

#### 8 Borrowings

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

#### 9 Employee Benefits

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

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

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

Weighted average discount rate	5.77% (2016, 5.43%)
Weighted average settlement period	2.22 years (2016, 2.09 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 2017

#### 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 2017 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 17	Leases
AASB 1058	Income of Not-for-Profit Entities

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

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

*Council is of the view that other than AASB 16 and AASB 1058, 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.*

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

Accounting Standard AASB 1058 *Income of Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in revenues from grants & subsidies, but does not commence until the 2019/20 financial period, and it is not Council's intention to adopt this Standard early.

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 2 - INCOME

	Notes	2017 \$	2016 \$
<b>RATES REVENUES</b>			
<u>General Rates</u>		2,716,397	2,606,749
Less: Mandatory rebates		(29,242)	(28,642)
Less: Discretionary rebates, remissions & write offs		(13,162)	(12,622)
		2,673,993	2,565,485
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		90,448	71,180
Waste collection		153,431	152,102
Community wastewater management systems		235,438	226,102
Separate and Special Rates		7,512	7,626
		486,829	457,010
<u>Other Charges</u>			
Penalties for late payment		18,419	18,316
		18,419	18,316
Less: Discretionary rebates, remissions & write offs		(13,929)	(11,835)
		3,165,312	3,028,976
<b>STATUTORY CHARGES</b>			
Development Act fees		4,760	5,280
Town planning fees		8,849	9,861
Health & Septic Tank Inspection fees		1,196	1,182
Animal registration fees & fines		6,697	7,088
		21,502	23,411
<b>USER CHARGES</b>			
Cemetery Fees		12,884	22,325
Arno Bay Harbour Fees		22,192	24,399
Sanitation & Garbage Fees		111,499	115,733
Hall & equipment hire		3,280	5,257
Sundry		17,747	23,942
		167,602	191,656
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		111,381	122,926
Banks & other		90	95
Loans to community groups		545	1,524
		112,016	124,545

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	Notes	2017 \$	2016 \$
<b>REIMBURSEMENTS</b>			
- for roadworks		0	173
- for private works		16,060	12,394
- other		151,278	89,189
		167,338	101,756
 <b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		697	5,966
Rebates received		37,830	34,477
Sundry		74,186	47,715
		112,713	88,158
 <b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		169,615	1,336,205
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		2,036,887	636,138
Roads to Recovery		617,136	763,341
Library & Communications		6,183	676
Sundry		2,000	1,500
		2,662,206	1,401,655
		2,831,821	2,737,860
 <i>The functions to which these grants relate are shown in Note 12.</i>			
 <b>Sources of grants</b>			
Commonwealth government		711,751	763,341
State government		2,120,070	1,974,519
		2,831,821	2,737,860

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### NOTE 2 - INCOME (continued)

	2017	2016
Notes	\$	\$
<b>Conditions over grants &amp; contributions</b>		
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>		
<i>Unexpended at the close of the previous reporting period</i>	<b>172,074</b>	268,946
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>CWMS Arno Bay</i>	-	(101,757)
<i>Subtotal</i>		(101,757)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>CWMS Arno Bay</i>	-	4,885
<i>Yeldulknie Walking Trail</i>	<u>75,000</u>	-
<i>Subtotal</i>	<u>75,000</u>	<u>4,885</u>
<i>Unexpended at the close of this reporting period</i>	<u><b>247,074</b></u>	<u>172,074</u>
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	 <u><b>75,000</b></u>	 <u>(96,872)</u>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 3 - EXPENSES

	Notes	2017 \$	2016 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		1,318,056	1,295,763
Employee leave expense		155,738	198,241
Superannuation - defined contribution plan contributions	18	95,469	91,087
Superannuation - defined benefit plan contributions	18	35,645	34,861
Workers' Compensation Insurance		68,067	67,779
Other		31,338	25,726
Less: Capitalised and distributed costs		<u>(188,000)</u>	<u>(234,910)</u>
<b>Total Operating Employee Costs</b>		<u><b>1,516,313</b></u>	<u><b>1,478,547</b></u>
 <b>Total Number of Employees</b>		<b>22</b>	<b>23</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		13,000	20,850
Elected members' expenses		61,016	65,377
Election expenses		<u>503</u>	<u>498</u>
Subtotal - Prescribed Expenses		<u><b>74,519</b></u>	<u><b>86,725</b></u>
 <u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		211,713	356,031
Energy		59,756	61,388
Maintenance		46,999	48,060
Materials		342,071	285,810
Legal Expenses		3,853	12,706
Levies paid to government - NRM levy		91,137	71,236
- Other Levies		28,619	21,924
Parts, accessories & consumables		80,571	85,948
Professional services		47,751	34,055
Sundry		<u>212,727</u>	<u>120,954</u>
Subtotal - Other Materials, Contracts & Expenses		<u><b>1,125,197</b></u>	<u><b>1,098,112</b></u>
		<u><b>1,199,716</b></u>	<u><b>1,184,837</b></u>
 <b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		175,537	181,391
Infrastructure		726,308	693,633
CWMS		54,135	54,135
Plant, Machinery & Equipment		301,238	278,507
Office Equipment, Furniture & Fittings		17,321	7,280
Other Assets		<u>50,387</u>	<u>48,535</u>
		<u><b>1,324,926</b></u>	<u><b>1,263,481</b></u>
		<u><b>1,324,926</b></u>	<u><b>1,263,481</b></u>
 <b>FINANCE COSTS</b>			
Interest on Loans		<u>50,991</u>	<u>56,129</u>
		<u><b>50,991</b></u>	<u><b>56,129</b></u>

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

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

	2017	2016
Notes	\$	\$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	65,091	314,679
Less: Carrying amount of assets sold	<u>54,417</u>	<u>534,869</u>
<b>Gain (Loss) on disposal</b>	<u><b>10,674</b></u>	<u><b>(220,190)</b></u>
<b>REAL ESTATE DEVELOPMENT ASSETS</b>		
Proceeds from disposal	-	40,000
Less: Carrying amount of assets sold	<u>-</u>	<u>28,830</u>
<b>Gain (Loss) on disposal</b>	<u><b>-</b></u>	<u><b>11,170</b></u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	<u><b>10,674</b></u>	<u><b>(209,020)</b></u>



# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 5 - CURRENT ASSETS

	2017	2016
<b>CASH &amp; EQUIVALENT ASSETS</b>		
	Notes	
	\$	\$
Cash on Hand and at Bank	164,920	234,703
Deposits at Call	6,846,974	5,664,104
	<u>7,011,894</u>	<u>5,898,807</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	251,514	218,776
Accrued Revenues	23,580	38,445
Debtors - general	107,984	13,749
GST Recoupment	22,088	44,025
Prepayments	34,202	39,614
Loans to community organisations	10,000	26,741
Total	<u>449,368</u>	<u>381,350</u>
<b>INVENTORIES</b>		
Stores & Materials	9,634	8,861
	<u>9,634</u>	<u>8,861</u>

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 6 - NON-CURRENT ASSETS

	Notes	2017 \$	2016 \$
<b>FINANCIAL ASSETS</b>			
Receivables			
Loans to community organisations		<u>65,000</u>	<u>68,013</u>
		<u>65,000</u>	<u>68,013</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u><b>65,000</b></u>	<u><b>68,013</b></u>
<b>OTHER NON-CURRENT ASSETS</b>			
<b>Inventories</b>			
Real Estate Developments		<u>683,603</u>	<u>683,603</u>
		<u>683,603</u>	<u>683,603</u>
Capital Works-in-Progress		<u>24,270</u>	<u>-</u>
		<u><b>707,873</b></u>	<u><b>683,603</b></u>
<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>683,603</u>	<u>683,603</u>
<i>Total Real Estate for Resale</i>		<u><b>683,603</b></u>	<u><b>683,603</b></u>
<i>Represented by:</i>			
<i>Development Costs</i>		<u>683,603</u>	<u>683,603</u>
		<u>683,603</u>	<u>683,603</u>
<i>Apportionment of Real Estate Developments</i>			
<i>Current Assets</i>		<u>-</u>	<u>-</u>
<i>Non-Current Assets</i>		<u>683,603</u>	<u>683,603</u>
		<u><b>683,603</b></u>	<u><b>683,603</b></u>

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

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

	Fair Value Level	2016 \$				2017 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land	2	2,476,200	-	-	2,476,200	2,506,023	-	-	2,506,023
Buildings & Other Structures	2	5,764,500	13,226	(4,347,341)	1,430,385	5,764,500	(4,453,535)	1,340,727	
Buildings & Other Structures	3	2,741,799	419,170	(1,076,994)	2,083,975	2,741,799	(1,146,337)	2,219,952	
Infrastructure	3	35,283,784	6,496,711	(13,586,733)	28,193,762	35,283,784	(14,987,412)	28,823,945	
CWMS	3	2,081,855	857,665	(1,020,037)	1,919,483	2,081,855	(1,074,172)	2,222,525	
Plant, Machinery & Equipment		-	3,615,215	(1,429,669)	2,185,546	-	(1,659,162)	2,072,894	
Office Equipment, Furniture & Fitti		-	191,836	(126,289)	65,547	-	(143,610)	50,920	
Other Assets	3	2,183,973	90,963	(500,653)	1,774,283	2,183,973	(551,040)	1,723,896	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		50,532,111	11,684,786	(22,087,716)	40,129,181	50,561,934	(24,015,268)	40,960,882	
<b>Comparatives</b>		<b>50,597,454</b>	<b>8,806,510</b>	<b>(19,888,477)</b>	<b>39,515,487</b>	<b>50,532,111</b>	<b>(22,087,716)</b>	<b>40,129,181</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 2017

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

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2017
	\$										\$
	2016	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	CARRYING AMOUNT	CARRYING AMOUNT
CARRYING AMOUNT	New/Upgrade	Renewals	In				Out				
Land	2,476,200	29,823	-	-	-	-	-	-	-	-	2,506,023
Buildings & Other Structures	1,430,385	16,536	-	(106,194)	-	-	-	-	-	-	1,340,727
Buildings & Other Structures	2,083,975	-	205,320	(69,343)	-	-	-	-	-	-	2,219,952
Infrastructure	28,193,762	80,893	1,356,248	(726,308)	-	-	-	-	(80,650)	-	28,823,945
CWMS	1,919,483	-	357,177	(54,135)	-	-	-	-	-	-	2,222,525
Plant, Machinery & Equipment	2,185,546	-	242,403	(53,817)	-	-	-	-	-	-	2,072,894
Office Equipment, Furniture & Fittings	65,547	-	3,294	(600)	-	-	-	-	-	-	50,920
Other Assets	1,774,283	-	-	(50,387)	-	-	-	-	-	-	1,723,896
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>40,129,181</b>	<b>127,252</b>	<b>2,164,442</b>	<b>(54,417)</b>	<b>(1,324,926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80,650)</b>	<b>-</b>	<b>40,960,882</b>
<b>Comparatives</b>	<b>39,515,487</b>	<b>2,463,513</b>	<b>713,960</b>	<b>(534,869)</b>	<b>(1,263,481)</b>	<b>-</b>	<b>2,043,138</b>	<b>(2,043,138)</b>	<b>(765,429)</b>	<b>-</b>	<b>40,129,181</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 2017

### 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

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

Artworks \$5,000

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

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

### Land & Land Improvements

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

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

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

### Buildings & Other Structures

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

### Infrastructure

Transportation assets were valued by Council officers and Gayler Professional Engineering Pty Ltd at depreciated current replacement cost during the reporting period ended June 30 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.

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

**Community Wastewater Management System**

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, Machinery & Equipment**

These assets are recognised on the cost basis.

**Other assets**

All 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.

## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 8 - LIABILITIES

		2017		2016	
	Notes	Current	Non-current	Current	Non-current
		\$		\$	
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		94,391	-	200,201	-
Payments received in advance		20,518	-	9,511	-
Accrued expenses - employee entitlements		48,028	-	56,884	-
Accrued expenses - other		14,296	-	16,611	-
		<b>177,233</b>	-	<b>283,207</b>	-
 <b>BORROWINGS</b>					
Loans		205,507	757,388	254,537	962,983
		205,507	757,388	254,537	962,983
 <b>PROVISIONS</b>					
Employee entitlements (including oncosts)		423,464	50,360	462,729	32,042
		423,464	50,360	462,729	32,042
 <i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>		<b>254,909</b>		<b>251,321</b>	



## DISTRICT COUNCIL OF CLEVE

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

#### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2016	Net Increments (Decrements)	Transfers, Impairments	30/6/2017
Notes	\$	\$	\$	\$
Land	1,229,545			1,229,545
Buildings & Other Structures	4,000,000			4,000,000
Infrastructure	18,362,464	(80,650)		18,281,814
CWMS	1,500,000			1,500,000
Other Assets	1,000,000			1,000,000
<b>TOTAL</b>	<b>26,092,009</b>			<b>26,011,359</b>
<i>Comparatives</i>	<u>26,857,438</u>	<u>(765,429)</u>		<u>26,092,009</u>

OTHER RESERVES	1/7/2016	Transfers to Reserve	Transfers from Reserve	30/6/2017
CATV Re-Transmission	102,979	5,475		108,454
Cleve CWMS	431,372	103,420		534,792
<b>TOTAL OTHER RESERVES</b>	<b>534,351</b>	<b>108,895</b>		<b>643,246</b>
<i>Comparatives</i>	<u>390,169</u>		<u>144,182</u>	<u>534,351</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**

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### 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	2017 \$	2016 \$
<b>CASH &amp; FINANCIAL ASSETS</b>			
Grant Funding for CWMS Arno Bay Feasibility Study & Yeldulknie Weir Walking Tail		<u>225,605</u>	<u>173,804</u>
		<u>225,605</u>	<u>173,804</u>
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<u>225,605</u>	<u>173,804</u>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### 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	2017 \$	2016 \$
Total cash & equivalent assets	5	<u>7,011,894</u>	<u>5,898,807</u>
Balances per Cash Flow Statement		<u>7,011,894</u>	<u>5,898,807</u>

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

Net Surplus (Deficit)	2,497,032	2,104,348
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,324,926	1,263,481
Net increase (decrease) in unpaid employee benefits	(29,803)	56,414
Premiums & discounts recognised & unwound	-	-
Change in allowances for under-recovery	-	-
Non-cash asset acquisitions	-	-
Grants for capital acquisitions treated as Investing Activity	(169,615)	(1,336,205)
Net (Gain) Loss on Disposals	<u>(10,674)</u>	<u>209,020</u>
	3,611,866	2,297,058
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(84,759)	(83,049)
Net (increase) decrease in inventories	(773)	5,844
Net increase (decrease) in trade & other payables	<u>(97,118)</u>	<u>86,299</u>
<b>Net Cash provided by (or used in) operations</b>	<u>3,429,216</u>	<u>2,306,152</u>

**(c) Financing Arrangements**

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

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

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### 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	2017	2016	2017	2016	
	2017	2016	2017	2016	2017	2016	\$	\$	\$	\$	
Administration	4,624,092	3,385,880	14,427	18,261	4,609,665	3,367,619	1,456,458	1,367,504	8,113,303	8,132,321	
Public Order & Safety	9,943	10,814	112,932	150,423	(102,989)	(139,609)	-	-	145,650	145,650	
Health	1,251	1,218	12,624	16,044	(11,373)	(14,826)	-	-	-	-	
Housing & Community Services	148,997	153,376	721,407	921,017	(572,410)	(767,641)	2,000	676	4,751,922	4,394,745	
Sport Recreation & Culture	114,640	20,583	429,558	450,181	(314,918)	(429,598)	81,183	-	4,416,275	4,386,452	
Mining & Manufacture	9,739	9,361	51,539	52,317	(41,800)	(42,956)	-	-	-	-	
Transport & Communication	1,294,518	1,198,443	1,638,856	1,116,326	(344,338)	82,117	1,292,180	1,368,180	28,814,484	27,456,643	
Economic Affairs	22,422	24,850	79,646	164,865	(57,224)	(140,015)	-	-	409,254	409,254	
Other Purposes	152,489	126,988	64,147	616,325	88,342	(489,337)	-	1,500	2,511,423	2,244,750	
Governance	1,405	860	303,299	420,630	(301,894)	(419,770)	-	-	-	-	
Support Services	29,193	27,784	649,733	54,390	(620,540)	(26,606)	-	-	42,340	-	
Social Security & Welfare	-	-	13,778	2,215	(13,778)	(2,215)	-	-	-	-	
<b>TOTALS</b>	<b>6,408,689</b>	<b>4,960,157</b>	<b>4,091,946</b>	<b>3,982,994</b>	<b>2,316,743</b>	<b>977,163</b>	<b>2,831,821</b>	<b>2,737,860</b>	<b>49,204,651</b>	<b>47,169,815</b>	

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 2017

### 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 2017

### 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 0% and 1.5% (2016: 0% and 2%). Short term deposits have an average maturity of 24 hours and an average interest rates of 1.5% (2016:24 hours, 2%).</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% (2016: 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>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 - 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% (2016: 4% 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 2017

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

##### Liquidity Analysis

2017	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	7,011,898			7,011,898	7,011,894
Receivables	211,832	35,019	35,019	281,870	262,854
<b>Total</b>	<b>7,223,730</b>	<b>35,019</b>	<b>35,019</b>	<b>7,293,768</b>	<b>7,274,748</b>
<b>Financial Liabilities</b>					
Payables	114,672	-	-	114,672	114,909
Current Borrowings	249,260	-	-	249,260	205,507
Non-Current Borrowings	-	563,894	329,802	893,696	757,388
<b>Total</b>	<b>363,932</b>	<b>563,894</b>	<b>329,802</b>	<b>1,257,628</b>	<b>1,077,804</b>
2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	5,911,807			5,911,807	5,898,807
Receivables	244,725	40,551	40,155	325,431	230,587
<b>Total</b>	<b>6,156,532</b>	<b>40,551</b>	<b>40,155</b>	<b>6,237,238</b>	<b>6,129,394</b>
<b>Financial Liabilities</b>					
Payables	183,963			183,963	209,712
Current Borrowings	309,976			309,976	254,537
Non-Current Borrowings	-	743,718	372,212	1,115,930	962,983
<b>Total</b>	<b>493,939</b>	<b>743,718</b>	<b>372,212</b>	<b>1,609,869</b>	<b>1,427,232</b>

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

	30 June 2017		30 June 2016	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Other Variable Rates	4	67,925	4	19,754
Fixed Interest Rates	4.94	894,970	4.94	1,197,766
		<u>962,895</u>		<u>1,217,520</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 2017

### Note 14 - FINANCIAL INDICATORS

	2017	2016	2015
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

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

#### **Operating Surplus Ratio**

<u>Operating Surplus</u>	36.2%	19.7%	22.7%
Total Operating Revenue			

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

#### **Adjusted Operating Surplus Ratio**

	25.4%	33.7%	10.4%
--	-------	-------	-------

*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>	(92.3%)	(87.8%)	(64.0%)
Total Operating Revenue			

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

#### **Asset Sustainability Ratio**

<u>Net Asset Renewals</u>	174%	75%	103%
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 2017

#### 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

	2017 \$	2016 \$
Income	6,408,689	4,960,157
<i>less</i> Expenses	<u>4,091,946</u>	<u>3,982,994</u>
<b>Operating Surplus / (Deficit)</b>	<b>2,316,743</b>	<b>977,163</b>
 <i>less</i> <b>Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	2,188,712	1,103,121
Depreciation, Amortisation and Impairment	(1,324,926)	(1,263,481)
Proceeds from Sale of Replaced Assets	<u>(65,091)</u>	<u>(314,679)</u>
	798,695	(475,039)
 <i>less</i> <b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property &amp; real estate developments)</i>	127,252	2,074,352
Amounts received specifically for New and Upgraded Assets	(169,615)	(1,336,205)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	(40,000)
	<u>(42,363)</u>	<u>698,147</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>1,560,411</u></b>	<b><u>754,055</u></b>

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### 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 2016/17; 9.50% in 2015/16). 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 2015/16) 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 2017

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

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

**1. LAND UNDER ROADS**

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

At reporting date, Council controlled 1,560 km of road reserves of average width 20 metres.

**2. POTENTIAL INSURANCE LOSSES**

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

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

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

**3. BANK GUARANTEES**

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$67,925 (2016: \$94,754) at reporting date.

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

**4. LEGAL EXPENSES**

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

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 18 - RELATED PARTY DISCLOSURES

#### KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 12 persons were paid the following total compensation:

	2017 \$
Salaries, allowances & other short term benefits	429,434
Long term benefits	2,603
<b>TOTAL</b>	<b>432,037</b>

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

	2017 \$
Contributions for fringe benefits tax purposes	16,520
Planning and building applications fees	0
Rentals for Council property	19,552
<b>TOTAL</b>	<b>36,072</b>

#### PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

KMP and relatives of KMPs own retail businesses from which council made purchases during the year. The total value of the purchase was \$2,591.

There is one close family member of key management personnel who is employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the *Local Government Act 1999*.

Key management personnel or close family members (including related parties) lodged a total of Nil planning and building applications during the year. In accordance with the Local Government Act 1999.

One Elected Member is a member of the Driver River Landcare Group committee, one Elected Member is a member of the Cleve District Bowling Club committee, one Elected member is a member of the Cleve SES and one Elected Member is a member of the Eastern Eyre CFS Group.

In accordance with the Local Government Act 1999, these persons declare a conflict of interest and leave the Council meeting environs when any matter affecting their club/group is discussed or voted upon.

# DISTRICT COUNCIL OF CLEVE

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2017

### Note 19 - RETROSPECTIVE RESTATEMENT OF 2016 Comparative DATA

The following changes have been made to the 2016 comparatives :  
2016 Financial Statements incorrectly classified the Roads  
to Recovery Grant as capital when it should have been an  
operating grant

#### Statement of Comprehensive Income

<b>Reported 2016 Grants, Subsidies and Contributions</b>	<b>638,314</b>
Adjustment - Roads to Recovery Grants	763,341
Adjusted 2016 Grants, Subsidies and Contributions	<u>1,401,655</u>
<b>Reported 2016 Total Income</b>	<b>4,196,816</b>
Adjustment - Roads to Recovery Grants	763,341
Adjusted 2016 Total Income	<u>4,960,157</u>
<b>Reported 2016 Operating Surplus/(Deficit)</b>	<b>213,822</b>
Adjustment - Roads to Recovery Grants	763,341
Adjusted 2016 Operating Surplus /(Deficit)	<u>977,163</u>
<b>Reported 2016 Amounts Received Specifically for New or Upgraded Assets</b>	<b>2,099,546</b>
Adjustment - Roads to Recovery Grants	763,341
Adjusted 2016 Amounts Received Specifically for New or Upgraded Assets	<u>1,336,205</u>

**DISTRICT COUNCIL OF CLEVE**


**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2017**

**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 2017, the Council's Auditor, Dean Newbery & Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

  
.....  
PETER ARNOLD  
CHIEF EXECUTIVE OFFICER

  
.....  
ROGER NIELD  
PRESIDING MEMBER  
AUDIT COMMITTEE

Date: 14 November 2017

## Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the District Council of Cleve for the year ended 30 June 2017, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



**SAMANTHA ALLARD**

**Partner**

**DEAN NEWBERY & PARTNERS**

**CHARTERED ACCOUNTANTS**

Dated this 17<sup>th</sup> day of November 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of the District Council of Cleve

Report on the Audit of the Financial Report

### Opinion

We have audited the accompanying financial report, being a general purpose financial report, of the District Council of Cleve (the Council), which comprises the Certification of Financial Statements on the annual statements giving a true and fair view of the financial position and performance, the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended 30 June 2017 and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial report of the Council is in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011*, including;

- (i) giving a true and fair view of the Council's financial position as at 30 June 2017 and of its performance and cash flows for the year then ended; and
- (ii) that the financial records kept by the Council are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

### Basis for Opinion

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

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

### Responsibilities of the Chief Executive Officer for the Financial Report

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

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

The Chief Executive Officer of the Council is responsible for overseeing the Council's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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

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

**DEAN NEWBERY & PARTNERS  
CHARTERED ACCOUNTANTS**



**SAMANTHA ALLARD  
PARTNER**

Signed on the 17<sup>th</sup> day of November 2017,  
at 214 Melbourne Street, North Adelaide

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

We have audited the Internal Controls of the District Council of Cleve (Council) under the requirements of *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2016 to 30 June 2017 have been conducted properly and in accordance with law.

### The Council's Responsibility for the Internal Controls

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2016 to 30 June 2017. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Our procedures included obtaining an understanding of controls in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, evaluating management's assessment of these controls, assessing the risk that a material weakness exists, and testing and evaluating the design of controls on a sample basis based on the assessed risks.

### Limitation on Use

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

### Limitations of Controls

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

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

### **Independence**

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

### **Opinion**

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2016 to 30 June 2017.

**DEAN NEWBERY & PARTNERS  
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'S Allard', with a large loop at the start and a trailing flourish.

**SAMANTHA ALLARD  
PARTNER**

Signed on the 17<sup>th</sup> of November 2017  
at 214 Melbourne Street, North Adelaide, South Australia, 5006