

**District Council of Cleve**  
**General Purpose Financial Reports**  
**for the year ended 30 June 2018**

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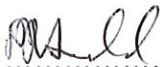
# District Council of Cleve

## ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2018

### 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



.....  
BRYAN TRIGG  
MAYOR

Date: 31 October 2018

# District Council of Cleve

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2018

	Notes	2018	2017
<b>INCOME</b>			
Rates	2	3,297,107	3,165,312
Statutory charges	2	30,156	21,502
User charges	2	192,027	167,602
Grants, subsidies and contributions	2	2,284,262	2,662,206
Investment income	2	101,774	112,016
Reimbursements	2	369,436	167,338
Other income	2	70,856	112,713
<b>Total Income</b>		<u>6,345,618</u>	<u>6,408,689</u>
<b>EXPENSES</b>			
Employee costs	3	1,562,963	1,516,313
Materials, contracts & other expenses	3	1,778,522	1,199,796
Depreciation, amortisation & impairment	3	1,371,141	1,324,926
Finance costs	3	54,828	50,991
<b>Total Expenses</b>		<u>4,767,454</u>	<u>4,092,026</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>1,578,164</b>	2,316,663
Asset disposal & fair value adjustments	4	(240,202)	10,674
Amounts received specifically for new or upgraded assets	2	120,000	169,615
<b>NET SURPLUS / (DEFICIT)</b>		<u>1,457,962</u>	<u>2,496,952</u>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	(80,650)
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(3,548,416)	-
<b>Total Other Comprehensive Income</b>		<u>(3,548,416)</u>	<u>(80,650)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(2,090,454)</u>	<u>2,416,302</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 2018

	Notes	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	7,310,880	7,011,894
Trade & other receivables	5	456,583	449,288
Inventories	5	7,282	9,634
<b>Total Current Assets</b>		<u>7,774,745</u>	<u>7,470,816</u>
<b>Non-current Assets</b>			
Financial assets	6	190,784	65,000
Infrastructure, property, plant & equipment	7	38,542,014	40,960,882
Other non-current assets	6	863,075	707,873
<b>Total Non-current Assets</b>		<u>39,595,873</u>	<u>41,733,755</u>
<b>Total Assets</b>		<u>47,370,618</u>	<u>49,204,571</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	398,852	177,233
Borrowings	8	186,057	205,507
Provisions	8	487,847	401,223
<b>Total Current Liabilities</b>		<u>1,072,756</u>	<u>783,963</u>
<b>Non-current Liabilities</b>			
Borrowings	8	721,331	757,388
Provisions	8	76,366	72,601
<b>Total Non-current Liabilities</b>		<u>797,697</u>	<u>829,989</u>
<b>Total Liabilities</b>		<u>1,870,453</u>	<u>1,613,952</u>
<b>NET ASSETS</b>		<u>45,500,165</u>	<u>47,590,619</u>
<b>EQUITY</b>			
Accumulated Surplus		22,525,816	20,936,014
Asset Revaluation Reserves	9	22,462,943	26,011,359
Other Reserves	9	511,406	643,246
<b>TOTAL EQUITY</b>		<u>45,500,165</u>	<u>47,590,619</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 2018

	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
<b>2018</b>				
Balance at end of previous reporting period	20,936,014	26,011,359	643,246	47,590,619
<b>Net Surplus / (Deficit) for Year</b>	1,457,962			1,457,962
<b>Other Comprehensive Income</b>				
Impairment (expense) / recoupments offset to asset revaluation reserve		(3,548,416)		(3,548,416)
Transfers between reserves	131,840		(131,840)	-
<b>Balance at end of period</b>	<b>22,525,816</b>	<b>22,462,943</b>	<b>511,406</b>	<b>45,500,165</b>
<b>2017</b>				
Balance at end of previous reporting period	18,547,957	26,092,009	534,351	45,174,317
<b>Net Surplus / (Deficit) for Year</b>	2,496,952			2,496,952
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment		(80,650)		(80,650)
Transfers between reserves	(108,895)	-	108,895	-
<b>Balance at end of period</b>	<b>20,936,014</b>	<b>26,011,359</b>	<b>643,246</b>	<b>47,590,619</b>

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

# District Council of Cleve

## STATEMENT OF CASH FLOWS for the year ended 30 June 2018

	Notes	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		3,220,462	3,143,344
Fees & other charges		32,552	23,210
User charges		291,757	90,364
Investment receipts		100,486	126,881
Grants utilised for operating purposes		2,284,262	2,811,023
Reimbursements		406,380	184,072
Other revenues		422,000	414,026
<u>Payments</u>			
Employee costs		(1,461,457)	(1,553,884)
Materials, contracts & other expenses		(1,969,110)	(1,764,282)
Finance payments		(61,183)	(45,538)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>3,266,149</b>	<b>3,429,216</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		120,000	169,615
Sale of replaced assets		30,455	65,091
Sale of real estate developments		40,000	
Repayments of loans by community groups		14,437	19,754
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,046,324)	(2,188,712)
Expenditure on new/upgraded assets		(820,786)	(127,252)
Development of real estate for sale		(99,438)	-
Loans made to community groups		(150,000)	-
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(2,911,656)</b>	<b>(2,061,504)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Payments</u>			
Repayments of borrowings		(55,507)	(254,625)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(55,507)</b>	<b>(254,625)</b>
<b>Net Increase (Decrease) in cash held</b>		<b>298,986</b>	<b>1,113,087</b>
Cash & cash equivalents at beginning of period	11	<u>7,011,894</u>	<u>5,898,807</u>
<b>Cash &amp; cash equivalents at end of period</b>	11	<b><u>7,310,880</u></b>	<b><u>7,011,894</u></b>

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

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### 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.

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

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

	Cash Payment Received	Annual Allocation	Difference	
2015/16	\$631,938	\$1,323,710	-	\$691,772
2016/17	\$2,036,887	\$1,344,427	+	\$692,460
2017/18	\$1,531,166	\$1,443,326	+	\$87,840

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.



## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

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

#### **6 Infrastructure, Property, Plant & Equipment**

##### **6.1 Land under roads**

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

##### **6.2 Initial Recognition**

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

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

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

##### **6.3 Materiality**

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

##### **6.4 Subsequent Recognition**

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

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

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

#### 6.6 Impairment

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

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

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

#### 6.7 Borrowing Costs

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

### 7 Payables

#### 7.1 Goods & Services

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

#### 7.2 Payments Received in Advance & Deposits

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

### 8 Borrowings

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

### 9 Employee Benefits

#### 9.1 Salaries, Wages & Compensated Absences

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

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

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

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

#### 9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 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 2018 reporting period and have not been used in preparing these reports.

- AASB 7 Financial Instruments – Disclosures
- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-Profit Entities

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 2018

### Note 2 - INCOME

	2018	2017
<b>RATES REVENUES</b>		
<u>General Rates</u>	2,821,362	2,716,397
Less: Mandatory Rebates	(30,312)	(29,242)
Less: Discretionary Rebates, Remissions & Write Offs	(12,472)	(13,162)
	2,778,578	2,673,993
<u>Other Rates</u> (including service charges)		
Natural Resource Management Levy	101,704	90,448
Waste Collection	154,062	153,431
Community Wastewater Management Systems	244,370	235,438
Separate & Special Rates	7,409	7,512
	507,545	486,829
<u>Other Charges</u>		
Penalties for late payment	24,282	18,419
	24,282	18,419
Less: Discretionary Rebates, Remissions & Write Offs	(13,298)	(13,929)
	3,297,107	3,165,312
 <b>STATUTORY CHARGES</b>		
Development Act Fees	12,421	4,760
Town Planning Fees	10,547	8,849
Health & Septic Tank Inspection Fees	332	1,196
Animal Registration Fees & Fines	6,856	6,697
	30,156	21,502
 <b>USER CHARGES</b>		
Cemetery Fees	21,040	12,884
Arno Bay Harbour Fees	20,455	22,192
Sanitation & Garbage Fees	126,168	111,499
Hall & Equipment Hire	3,413	3,280
Sundry	20,951	17,747
	192,027	167,602
 <b>INVESTMENT INCOME</b>		
Local Government Finance Authority	100,298	111,381
Banks & Other	118	90
Loans to Community Groups	1,358	545
	101,774	112,016

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### NOTE 2 - INCOME (continued)

	2018	2017
<b>REIMBURSEMENTS</b>		
- for private works	228,250	16,060
- other	141,186	151,278
	369,436	167,338
<b>OTHER INCOME</b>		
Insurance & other recoupments - infrastructure, property, plant & equipment	3,424	697
Rebates received	-	37,830
Sundry	67,432	74,186
	70,856	112,713
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>		
Amounts received specifically for new or upgraded assets	120,000	169,615
Other grants, subsidies and contributions		
Untied - Financial Assistance Grant	1,728,737	2,036,887
Roads to Recovery	534,182	617,136
Library & Communications	3,793	6,183
Sundry	17,550	2,000
	2,284,262	2,662,206
	2,404,262	2,831,821

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

#### Sources of grants

Commonwealth government	120,000	711,751
State government	2,284,262	2,120,070
	2,404,262	2,831,821

#### 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	247,074	172,074
Less: expended during the current period from revenues recognised in previous reporting periods		
FAG paid in advance	(172,074)	
Yeldulknie Weir Walking Trail	(75,000)	
Subtotal	(247,074)	
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Financial Assistance Grants Prepayment	87,840	
Yeldulknie Weir Walking Trail		75,000
Subtotal	87,840	75,000
Unexpended at the close of this reporting period	87,840	247,074
Net increase (decrease) in assets subject to conditions in the current reporting period	(159,234)	75,000

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### Note 3 - EXPENSES

	Notes	2018	2017
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		1,383,244	1,318,056
Employee leave expense		176,945	155,738
Superannuation - defined contribution plan contributions	18	94,206	95,469
Superannuation - defined benefit plan contributions	18	36,049	35,645
Workers' Compensation Insurance		57,470	68,067
Other		37,848	31,338
Less: Capitalised and distributed costs		<u>(222,799)</u>	<u>(188,000)</u>
<b>Total Operating Employee Costs</b>		<b><u>1,562,963</u></b>	<b><u>1,516,313</u></b>
<b>Total Number of Employees</b>		<b>22</b>	<b>22</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		10,890	13,000
Elected members' expenses		87,552	61,016
Election expenses		513	503
Subtotal - Prescribed Expenses		<u>98,955</u>	<u>74,519</u>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors - operating		468,970	211,713
Contractors - capital		1,359,633	na
Energy		64,382	59,756
Maintenance		49,973	46,999
Materials - operating		486,729	342,151
Materials - capital		507,263	na
Legal Expenses		44,971	3,853
Levies paid to government - NRM levy		101,890	91,137
- Other Levies		34,464	28,619
Parts, accessories & consumables		77,630	80,571
Professional services		85,625	47,751
Sundry - operating		264,933	212,727
Sundry - capital		796,403	na
Less amounts capitalised		<u>(2,663,299)</u>	<u>na</u>
Subtotal - Other Materials, Contracts & Expenses		<u>1,679,567</u>	<u>1,125,277</u>
		<b><u>1,778,522</u></b>	<b><u>1,199,796</u></b>

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

#### Note 3 - EXPENSES (cont)

	2018	2017
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>		
<b>Depreciation</b>		
Buildings & Other Structures	179,207	175,537
Infrastructure	762,219	726,308
CWMS	65,945	54,135
Plant, Machinery & Equipment	303,727	301,238
Office Equipment, Furniture & Fittings	9,656	17,321
Other Assets	50,387	50,387
	<u>1,371,141</u>	<u>1,324,926</u>
<b>FINANCE COSTS</b>		
Interest on Loans	54,828	50,991
	<u>54,828</u>	<u>50,991</u>

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

	2018	2017
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	30,455	65,091
Less: Carrying amount of assets sold	<u>281,827</u>	<u>54,417</u>
<b>Gain (Loss) on disposal</b>	<b><u>(251,372)</u></b>	<b><u>10,674</u></b>
<b>REAL ESTATE DEVELOPMENT ASSETS</b>		
Proceeds from disposal	40,000	-
Less: Carrying amount of assets sold	<u>28,830</u>	<u>-</u>
<b>Gain (Loss) on disposal</b>	<b><u>11,170</u></b>	<b><u>-</u></b>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	<b><u>(240,202)</u></b>	<b><u>10,674</u></b>



# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### Note 5 - CURRENT ASSETS

	2018	2017
<b>CASH &amp; EQUIVALENT ASSETS</b>		
Cash on Hand and at Bank	193,441	164,920
Deposits at Call	<u>7,117,439</u>	<u>6,846,974</u>
	<u>7,310,880</u>	<u>7,011,894</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	328,079	251,434
Accrued Revenues	24,868	23,580
Debtors - general	35,936	107,984
GST Recoupment	30,488	22,088
Prepayments	17,433	34,202
Loans to community organisations	<u>19,779</u>	<u>10,000</u>
	<u>456,583</u>	<u>449,288</u>
<b>INVENTORIES</b>		
Stores & Materials	<u>7,282</u>	<u>9,634</u>
	<u>7,282</u>	<u>9,634</u>

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

#### Note 6 - NON-CURRENT ASSETS

	2018	2017
<b>FINANCIAL ASSETS</b>		
Receivables		
Loans to community organisations	190,784	65,000
<b>TOTAL FINANCIAL ASSETS</b>	<b><u>190,784</u></b>	<b><u>65,000</u></b>
 <b>OTHER NON-CURRENT ASSETS</b>		
<b>Inventories</b>		
Real Estate Developments	754,210	683,603
Capital Works-in-Progress	108,865	24,270
	<b><u>863,075</u></b>	<b><u>707,873</u></b>
 <i>Real Estate Developments - Current &amp; Non-Current</i> <i>(Valued at the lower of cost and net realisable value)</i>		
<i>Residential</i>	<u>754,210</u>	<u>683,603</u>
<i>Total Real Estate for Resale</i>	<b><u>754,210</u></b>	<b><u>683,603</u></b>
 <i>Represented by:</i>		
<i>Development Costs</i>	<u>754,210</u>	<u>683,603</u>
<i>Total Real Estate for Resale</i>	<b><u>754,210</u></b>	<b><u>683,603</u></b>
 <b>Apportionment of Real Estate Developments</b>		
<i>Non-Current Assets</i>	<u>754,210</u>	<u>683,603</u>
	<b><u>754,210</u></b>	<b><u>683,603</u></b>

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

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

		2017					2018				
Fair Value Level		AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT		
	Land	2,506,023	-	-	2,506,023	2,506,023	-	-	2,506,023		
	Buildings & Other Structures	5,764,500	29,762	(4,453,535)	1,340,727	5,764,500	29,762	(4,559,977)	1,234,285		
	Buildings & Other Structures	2,741,799	624,490	(1,146,337)	2,219,952	2,741,799	1,088,690	(1,219,102)	2,611,387		
	Infrastructure	35,283,784	8,527,573	(14,987,412)	28,823,945	39,487,990	1,566,404	(15,241,507)	25,812,887		
	CWMS	2,081,855	1,214,842	(1,074,172)	2,222,525	2,081,855	1,319,868	(1,140,117)	2,261,606		
	Plant, Machinery & Equipment	-	3,732,056	(1,659,162)	2,072,894	-	4,154,066	(1,956,371)	2,197,695		
	Office Equipment, Furniture & Fittings	-	194,530	(143,610)	50,920	-	204,206	(153,266)	50,940		
	Other Assets	2,183,973	90,963	(551,040)	1,723,896	2,183,973	284,645	(601,427)	1,867,191		
	<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>50,561,934</b>	<b>14,414,216</b>	<b>(24,015,288)</b>	<b>40,960,882</b>	<b>54,766,140</b>	<b>8,647,641</b>	<b>(24,871,767)</b>	<b>38,542,014</b>		
	<i>Comparatives</i>	<i>50,532,111</i>	<i>11,684,786</i>	<i>(22,087,716)</i>	<i>40,129,181</i>	<i>50,561,934</i>	<i>14,414,216</i>	<i>(24,015,268)</i>	<i>40,960,882</i>		

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 2018

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

	CARRYING AMOUNT MOVEMENTS DURING YEAR										2018 CARRYING AMOUNT
	2017 CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	2018 CARRYING AMOUNT	
		New/Upgrade	Renewals				In	Out			
Land	2,506,023	-	-	-	-	-	-	-	-	-	2,506,023
Buildings & Other Structures	1,340,727	-	-	-	(106,442)	-	-	-	-	-	1,234,285
Buildings & Other Structures	2,219,952	464,200	-	-	(72,765)	-	-	-	-	-	2,611,387
Infrastructure	28,823,945	78,309	1,488,095	(266,827)	(762,219)	-	-	-	(3,548,416)	-	25,812,887
CWMS	2,222,525	-	105,026	-	(65,945)	-	-	-	-	-	2,261,606
Plant, Machinery & Equipment	2,072,894	-	443,528	(15,000)	(303,727)	-	-	-	-	-	2,197,695
Office Equipment, Furniture & Fittings	50,920	-	9,676	-	(9,656)	-	-	-	-	-	50,940
Other Assets	1,723,896	193,682	-	-	(50,387)	-	-	-	-	-	1,867,191
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>40,960,882</b>	<b>736,191</b>	<b>2,046,325</b>	<b>(281,827)</b>	<b>(1,371,141)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,548,416)</b>	<b>-</b>	<b>38,542,014</b>
<i>Comparatives</i>	<i>40,129,181</i>	<i>127,252</i>	<i>2,164,442</i>	<i>(54,417)</i>	<i>(1,324,926)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(80,650)</i>	<i>-</i>	<i>40,960,882</i>

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 2018

### Note 7 (cont) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

##### General Valuation Principles

##### Accounting procedure:

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

##### Highest and best use:

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

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

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

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

##### Fair value hierarchy level 2 valuations:

Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

##### Fair value hierarchy level 3 valuations of land:

Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

##### Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets:

There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

##### Capitalisation thresholds

used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

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

### Estimated Useful Lives:

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

<b><u>Plant, Furniture &amp; Equipment</u></b>	
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
<b><u>Building &amp; Other Structures</u></b>	
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
<b><u>Infrastructure</u></b>	
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
<b><u>Other Assets</u></b>	
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 as at 1 July 2017 by Gayler Professional Engineering Pty Ltd. All acquisitions made after the respective dates of valuation are recorded at cost.

### **Community Wastewater Management System**

Community wastewater management system infrastructure was valued at 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. A revaluation planned to be undertaken in the 2017-18 financial year has been delayed until the 2018-19 financial year to capture the costs of the upgrade of the Arno Bay CWMS.

### **Plant, Machinery & Equipment**

These assets are recognised on the cost basis.

### **Office Equipment, Furniture & Fittings**

These assets are recognised on the cost basis.

### **Other assets**

All other assets were revalued as at 1 July 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 2018

### Note 8 - LIABILITIES

		2018		2017	
<b>TRADE &amp; OTHER PAYABLES</b>	Notes	Current	Non-current	Current	Non-current
Goods & Services		323,332		94,391	
Payments received in advance		11,997		20,518	
Accrued expenses - employee entitlements		55,582		48,028	
Accrued expenses - other		7,941		14,296	
		398,852	-	177,233	-
<b>BORROWINGS</b>					
Loans		186,057	721,331	205,507	757,388
		186,057	721,331	205,507	757,388
<b>PROVISIONS</b>					
LSL Employee entitlements (including oncosts)		243,557	76,366	153,370	72,601
AL Employee entitlements (including oncosts)		244,290	-	247,853	-
		487,847	76,366	401,223	72,601
<i>Amounts included in provisions that are not expected to be settled within 12 months of reporting date.</i>		301,991		254,909	

## District Council of Cleve

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

#### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2017	Net Increments (Decrements)	Transfers, Impairments	30/6/2018
Land	1,229,545			1,229,545
Buildings & Other Structures				0
Buildings & Other Structures	4,000,000			4,000,000
Infrastructure & CWMS	18,281,814	(3,548,416 )		14,733,398
Plant, Machinery & Equipment				0
Arno Bay CWMS	1,500,000			1,500,000
Other Assets	1,000,000			1,000,000
<b>TOTAL</b>	<b>26,011,359</b>	<b>(3,548,416 )</b>		<b>22,462,943</b>
<i>Comparatives</i>	<i>26,011,359</i>			<i>26,011,359</i>
 <b>OTHER RESERVES</b>	 1/7/2017	 Transfers to Reserve	 Transfers from Reserve	 30/6/2018
CATV Re-Transmission	108,454		(58,226 )	50,228
Cleve CWMS	534,792		(73,614 )	461,178
<b>TOTAL OTHER RESERVES</b>	<b>643,246</b>		<b>(131,840 )</b>	<b>511,406</b>
<i>Comparatives</i>	<i>534,351</i>	<i>108,895</i>		<i>643,246</i>

#### **PURPOSES OF RESERVES**

##### **Asset Revaluation Reserve**

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

##### **(Other Reserves)**

Council hold reserve accounts for specific purposes where income is generated for future expenditure. For example, the Common Television Antenna Re-Transmission Service and the Common Waste Management System in Cleve.



# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### 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.

	2018	2017
<b>CASH &amp; FINANCIAL ASSETS</b>		
Grant Funding for Arno Bay CWMS	-	150,605
Grant Funding for Yeldulknie Weir Walking Trail	-	75,000
	<u>-</u>	<u>225,605</u>
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>	<u>-</u>	<u>225,605</u>

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

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:

(a) Reconciliation of Cash	Notes	2018	2017
Total cash & equivalent assets	5	7,310,880	7,011,894
Less: Short-term borrowings	8	-	-
Balances per Cash Flow Statement		<u>7,310,880</u>	<u>7,011,894</u>

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

Net Surplus (Deficit)		1,457,962	2,496,952
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		1,371,141	1,324,926
Net increase (decrease) in unpaid employee benefits		101,506	(29,803)
Grants for capital acquisitions treated as Investing Activity		(120,000)	(169,615)
Net (Gain) Loss on Disposals		<u>240,202</u>	<u>(10,674)</u>
		3,050,811	3,611,786
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		2,484	(84,759)
Net (increase) decrease in inventories		2,352	(773)
Net increase (decrease) in trade & other payables		<u>214,065</u>	<u>(97,038)</u>
<b>Net Cash provided by (or used in) operations</b>		<u><b>3,266,149</b></u>	<u><b>3,429,216</b></u>

#### (c) Non-Cash Financing and Investing Activities

#### (d) Financing Arrangements

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

Bank Overdrafts	150,000	150,000
Corporate Credit Cards	16,000	16,000
LGFA Cash Advance Debenture facility	480,000	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 2018

### 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	2018	2017	2018	2017
Administration	1,239	1,251	14,708	12,624	(13,469)	(11,373)	124,543	2,000	4,574,808	4,751,922
Public Order & Safety	9,845	9,943	131,573	112,932	(121,728)	(102,989)	1,092,637	1,456,458	7,810,904	8,113,303
Health	147,531	148,997	840,482	721,407	(692,951)	(572,410)	9,200	81,183	4,251,672	4,416,275
Housing & Community Services	113,512	114,640	500,461	429,558	(386,949)	(314,918)	-	-	-	-
Sport Recreation & Culture	9,643	9,739	60,046	51,539	(50,403)	(41,800)	1,172,782	1,292,180	27,740,434	28,814,404
Mining & Manufacture	1,281,778	1,294,518	1,909,458	1,638,936	(627,680)	(344,418)	5,100	-	394,000	409,254
Transport & Communication	22,201	22,422	92,792	79,646	(70,591)	(57,224)	-	-	2,417,817	2,511,423
Economic Affairs	150,988	152,489	74,735	64,147	76,253	88,342	-	-	-	-
Other Purposes	1,391	1,405	353,361	303,299	(351,970)	(301,894)	-	-	-	-
Governance	28,906	29,193	756,978	649,733	(728,072)	(620,540)	-	-	40,762	42,340
Support Services	-	-	16,052	13,778	(16,052)	(13,778)	-	-	-	-
Social Security & Welfare	-	-	-	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>6,345,618</b>	<b>6,408,689</b>	<b>4,767,454</b>	<b>4,092,026</b>	<b>1,578,164</b>	<b>2,316,663</b>	<b>2,404,262</b>	<b>2,831,821</b>	<b>47,370,618</b>	<b>49,204,571</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 2018

### 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 2018

### Note 13 - FINANCIAL INSTRUMENTS

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

#### Accounting Policies - Recognised Financial Instruments

<p>Bank, Deposits at Call, Short Term Deposits</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 interest rates of 1.5% (2017: 1.5%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<p>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment) 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% (2017: 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>Receivables - Fees &amp; other charges</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>Receivables - other levels of government</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>Receivables - Retirement Home Contributions</p>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<p>Liabilities - Creditors and Accruals</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>Liabilities - Retirement Home Contributions</p>	<p><b>Accounting Policy:</b> To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.</p> <p><b>Carrying amount:</b> approximates fair value for short tenancies; may be non-materially overstated for longer tenancies.</p>
<p>Liabilities - Interest Bearing Borrowings</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 bi-ennially; interest is charged at fixed (or variable - describe) rates between 4% and 7% (2017: 4% and 7%)</p> <p><b>Carrying amount:</b> approximates fair value.</p>

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### Note 13 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2018	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>					
Cash & Equivalents	7,310,880			7,310,880	7,310,880
Receivables	319,288	-	-	319,288	319,288
<b>Total</b>	<b>7,630,168</b>	<b>-</b>	<b>-</b>	<b>7,630,168</b>	<b>7,630,168</b>
<b>Financial Liabilities</b>					
Payables	335,329	-	-	335,329	335,329
Current Borrowings	227,313	-	-	227,313	186,057
Non-Current Borrowings	-	558,612	296,595	855,207	721,331
<b>Total</b>	<b>562,642</b>	<b>558,612</b>	<b>296,595</b>	<b>1,417,849</b>	<b>1,242,717</b>
<b>2017</b>					
	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>

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

	30 June 2018		30 June 2017	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
Overdraft	0	-	0.0%	-
Other Variable Rates	0	-	4.0%	67,925
Fixed Interest Rates	4.8	907,388	4.9%	894,970
		<u>907,388</u>		<u>962,895</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

# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### Note 14 - FINANCIAL INDICATORS

2018                      2017                      2016

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>	24.9%	36.1%	19.7%
Total Operating Income			

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

#### Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	-96%	-92%	-88%
Total Operating Income			

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

#### Adjustments to Ratios

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

<b>Adjusted Operating Surplus Ratio</b>	23.8%	25.4%	33.7%
<b>Adjusted Net Financial Liabilities Ratio</b>	(96%)	(92%)	(100%)

#### Asset Sustainability Ratio

<u>Net Asset Renewals</u>	98%	174%	75%
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 2018

### 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

	2018	2017
Income	6,345,618	6,408,689
Expenses	(4,767,454)	(4,092,026)
<b>Operating Surplus / (Deficit)</b>	<b>1,578,164</b>	<b>2,316,663</b>
<b>Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	(2,046,324)	(2,188,712)
Add back Depreciation, Amortisation and Impairment	1,371,141	1,324,926
Proceeds from Sale of Replaced Assets	30,455	65,091
	(644,728)	(798,695)
<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>	(920,224)	(127,252)
Amounts received specifically for New and Upgraded Assets	120,000	169,615
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	40,000	-
	(760,224)	42,363
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>173,212</b>	<b>1,560,331</b>



# District Council of Cleve

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

### 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 2017/18; 9.50% in 2016/17). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### Salarylink (Defined Benefit Fund) Members

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

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, 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 2018

### 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 \$210,653 (2017: \$75,000) 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 2018

### 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, 15 persons were paid the following total compensation:

	2018 \$	2017 \$
Salaries, allowances & other short term benefits	427,260	429,434
Post-employment benefits	-	-
Long term benefits	-	2,603
Termination benefits	-	-
<b>TOTAL</b>	<b>427,260</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:

	2018 \$	2017 \$
Contributions for fringe benefits tax purposes	8,808	16,520
Planning and building applications fees	-	-
Rentals for Council property	29,328	19,552
<b>TOTAL</b>	<b>38,136</b>	<b>36,072</b>

#### PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

Key Management Personnel and relatives of Key Management Personnel's own retail businesses from which council made purchases during the year. The total value of the purchases was \$2,450.

The following Elected Members are part of the following committees:

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

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

## ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2018

### 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 2018, the Council's Auditor, Dean Newbery & Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

  
.....  
PETER ARNOLD  
CHIEF EXECUTIVE OFFICER

  
.....  
DAVID FRICK  
PRESIDING MEMBER  
AUDIT COMMITTEE

Date: 31 October 2018

## 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 2018, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



**SAMANTHA CRETEN**

**Partner**

**DEAN NEWBERY & PARTNERS**  
**CHARTERED ACCOUNTANTS**

Dated this 29<sup>th</sup> day of October 2018

## 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 2018 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 2018 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 CRETEN  
PARTNER**

Signed on the 1<sup>st</sup> day of November 2018,  
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 2017 to 30 June 2018 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 2017 to 30 June 2018. 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 2017 to 30 June 2018.

**DEAN NEWBERY & PARTNERS  
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'S. Creten', with a stylized flourish at the end.

**SAMANTHA CRETEN  
PARTNER**

Signed on the 1<sup>st</sup> day of November 2018  
at 214 Melbourne Street, North Adelaide, South Australia, 5006