

# NOTICE OF MEETING

Pursuant to the provisions of section 88 (1) of the  
*Local Government Act 1999*

## Audit Committee Meeting of the



will be held in

**Council Chambers  
Old Port Wakefield Road  
Two Wells**

on

**Thursday, 15 December 2016 at 9.00 AM**

  
.....  
James Miller  
**CHIEF EXECUTIVE OFFICER**

# **AGENDA**

## **1. ATTENDANCE**

- 1.1 Members Present
- 1.2 Members Apologies
- 1.3 Members Absent

## **2. CONFIRMATION OF MINUTES**

- 2.1 “that the minutes of meeting held on Tuesday 25 October 2016 (MB Folios 30 to 33, inclusive), be accepted as read and confirmed.”

## **3. BUSINESS ARISING**

## **4. REPORTS**

- 4.1 Rate Revenue and Employee Numbers (CON12/422)
- 4.2 Audited Annual Financial Statements (CON12/491)
- 4.3 Comparison of Audited Financial Results for 2015/2016 against Adopted Budget for 2015/2016 (CON12/433)

## **5. CONFIDENTIAL ITEMS**

No Confidential Items

## **6. GENERAL BUSINESS**

## **7. NEXT MEETING**

- 7.1 Time to be confirmed

## **8. CLOSURE**



**Adelaide  
Plains  
Council**

**2. CONFIRMATION OF MINUTES**

**THURSDAY 15 December 2016**

**Items:**

- 2.1 “that the minutes of meeting held on Tuesday 25 October 2016 (MB Folios 30 to 33, inclusive), be accepted as read and confirmed.”

# MINUTES

of

**Audit Committee Meeting  
of the**



**Adelaide  
Plains  
Council**

Pursuant to the provisions of section 88 (1) of the  
*Local Government Act 1999*

HELD IN

**Council Chambers  
Redbanks Road  
Mallala**

on

**Tuesday, 25 October 2016**

The Chairman formally declared the meeting open at 10.30 am

## 1. ATTENDANCE

### 1.1 Present

Chairman John Comrie  
Mr Peter Fairlie-Jones  
Mayor A J (Tony) Flaherty OAM  
Cr Stephen Jones

#### Also in attendance for the meeting:

Chief Executive Officer	Mr James Miller
General Manager, People and Communications	Ms Sheree Schenk
General Manager, Development and Community	Mr Rob Veitch
Acting General Manger, Finance	Mr Rajith Udugampola
Finance Coordinator	Mr Gary Graham
Minute Secretary	Ms Andrea Humphrys

### 1.2 Apologies

Cr Melville Lawrence

### 1.3 Not Present / Leave of Absence

Nil

## 2. CONFIRMATION OF MINUTES

### 2.1 Committee Resolution

2016/ 017

Moved Mr P Fairlie-Jones Seconded Mayor T Flaherty

“that the minutes of meeting held on Monday 30 May 2016 (MB Folios 23 to 29, inclusive), be accepted as read and confirmed.”

**CARRIED**

## 3. BUSINESS ARISING

3.1 Cr Jones asked about matters arising from the meeting of the Audit Committee held on 30 May 2016 in relation to resolutions:-

- 2016/014
- 2016/015, and
- 2016/016

Staff gave a verbal reply that an update will be provided at the next Audit Committee meeting in relation to these items.

#### 4. REPORTS

##### 4.1 Internal Financial Controls (CON15/38)

<b>Committee Resolution</b>	<b>2016/ 018</b>
Moved Mr P Fairlie-Jones      Seconded Cr S Jones	
<p>“that the Committee, having considered Item 4.1– <i>Internal Financial Controls</i>, dated 25 October 2016, receives and notes the report and notes with satisfaction Council’s performance and progress in addressing Internal Controls.”</p>	
<b>CARRIED</b>	

##### 4.2 Long Term Financial Plan Report (CON15/434)

<b>Committee Resolution</b>	<b>2016/ 019</b>
Moved Mayor T Flaherty      Seconded Mr P Fairlie-Jones	
<p>“that the Committee, having considered Item 4.2 – <i>Long Term Financial Plan</i>, dated 25 October 2016, receives and notes the report, and endorses the Long Term Financial Plan 2017-2026 for Council’s consideration subject to review of both words and figures as discussed at the meeting.”</p>	
<b>CARRIED</b>	

##### 4.3 Asset Management Plans (Information Report) (CON16/24)

<b>Committee Resolution</b>	<b>2016/ 020</b>
Moved Mr P Fairlie-Jones      Seconded Mayor T Flaherty	
<p>“that the Committee having considered Item 4.3 - <i>Asset Management Plans (Information Report)</i>, dated 25 October 2016, receives the said and instructs the Chief Executive Officer to undertake those further amendments as discussed at the meeting prior to its release to the Chamber which recommends the release of the revised Asset Management Plans for public consultation .”</p>	
<b>CARRIED</b>	

#### 5 CONFIDENTIAL ITEMS

No Confidential Items

## 6 GENERAL BUSINESS

- 6.1 The Finance Coordinator presented to the Committee a verbal report in relation to operational matters associated with the Kerbside Collection Waste Levy.

- 6.1 Asset Management Plans (Information Report) (CON16/24)

<b>Committee Resolution</b>	<b>2016/ 021</b>
Moved Mayor T Flaherty      Seconded Mr P Fairlie-Jones	
“that the Audit Committee instructs the Chief Executive Officer to bring back a report for consideration regarding the current “user pay” application of the kerbside collection waste service and the imposition of the levy.”	
	<b>CARRIED</b>

## 7. NEXT MEETING

- 7.1 Time to be confirmed

## 8 CLOSURE

There being no further business, the Chairman declared the meeting closed at 11.59 am.

Confirmed as a true record.

Chairman: .....

Date: \_\_\_/\_\_\_/\_\_\_



#### **4. REPORTS**

**THURSDAY 15 December 2016**

#### **Items:**

- 4.1 Rate Revenue and Employee Numbers (CON12/422)
- 4.2 Audited Annual Financial Statements (CON12/491)
- 4.3 Comparison of Audited Financial Results for 2015/2016 against Adopted Budget for 2015/2016 (CON12/433)

 <b>Adelaide Plains Council</b>	<b>4.1 Rate Revenue and Employee Numbers</b>
	<b>Container No: CON12/422</b> <b>Document No: D16/21565</b>
<b>Report Date: 15 December 2016</b>	<b>Prepared by: Acting General Manager – Finance and Economic Development</b>
<b>Corporate Objective:</b>	5.5 Effective financial management that ensures Council's financial sustainability

<b>Purpose:</b>	The purpose of this report is to provide the Audit Committee with information regarding the relationship between rate revenue and employee numbers for all South Australian Councils.
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<b>Recommendation 1:</b>	“that Committee, having considered Item 4.1 - <i>Rate revenue and employee numbers</i> , dated 15 December 2016, receives and notes the report.”
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## Impact Summary

### Organisational and Governance

Financial	Nil
Legislation	<i>Local Government Act 1999 Section 125.</i> <i>Local Government (Financial Management) Regulations 2011 Regulation 19.</i> <i>Audit Committee Terms of Reference Clause 3.2.</i>
Risk	Effective monitoring of Council's Risk Management Systems.
Consultation	Nil
Asset Management Plans	Nil
Service Standards	Nil

## Background

At the Audit Committee meeting held on Monday, 30 May 2016, a resolution was passed as follows;

“that the Committee requests a report outlining information regarding the relationship between rate revenue and employee numbers for all South Australian Councils.”

Accordingly, this report has been prepared based on information available from the annual database report published by the SA Local Government Grants Commission (SALGGC). The database report was prepared by the SALGGC from the general and financial information provided by the each of 68 Councils in South Australia. For the purpose of this report, four database reports published by the SALGGC for 2011/2012, 2012/2013, 2013/2014 and 2014/2015 financial years have been used.

## Discussion

For the purpose of the analysis, several ratios have been calculated that use variables such as rate revenue, employee numbers, employee costs, operating and capital expenditures. They are;

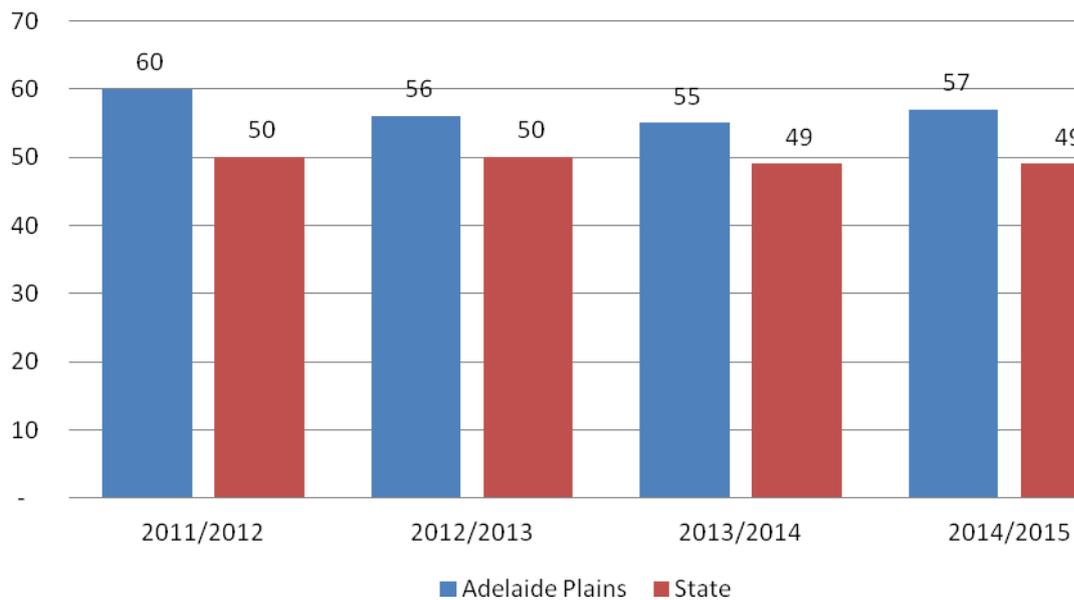
1. Employee costs as a % of total rates revenue;
2. Total rates revenue per employee;
3. Number of rateable properties per employee; and
4. Council district population per employee.

### ➤ Employee costs as a % of total rates revenue

This ratio calculates the percentage of total rates revenue spent on maintaining Council’s workforce as per Statement of Comprehensive Income. The higher the ratio, Council is spending major part of its rate revenue on its employees. While it can be argued that the Council should have a ratio close to the State average, it really depends on circumstances such as size of the Council (land mass, number of rateable properties), locality (availability of contractors), nature of work and legal & governance responsibilities of the Council.

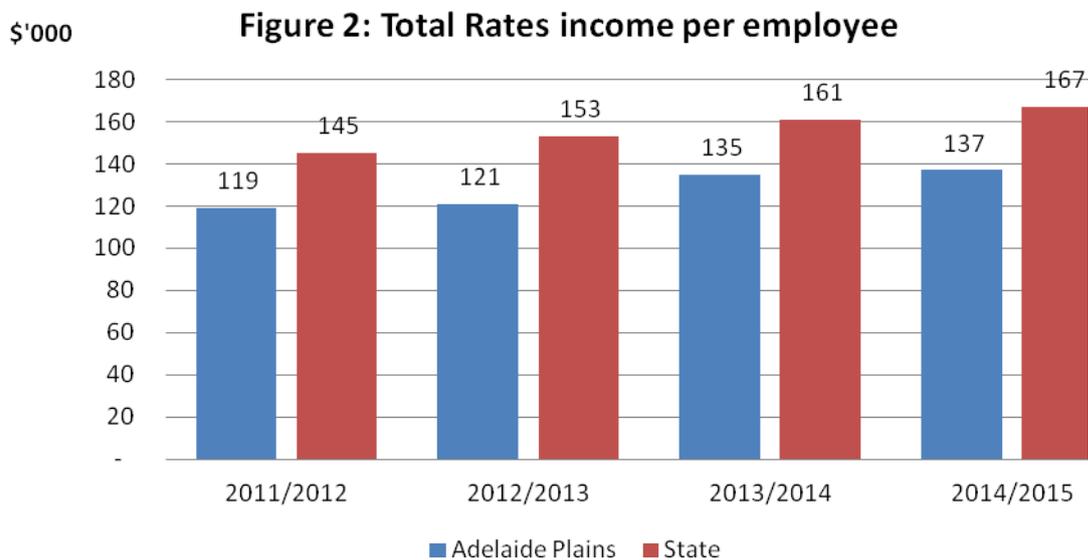
While the average for the State over the last four years has been around 50%, the average ratio for the APC is 57%. However, for APC, the ratio has dropped from 60% in 2011/2012 to 57% in 2014/2015. (Please refer to **Figure 1** below)

**Figure 1 : Employee costs as a % of rates income**



➤ **Total rates revenue per employee**

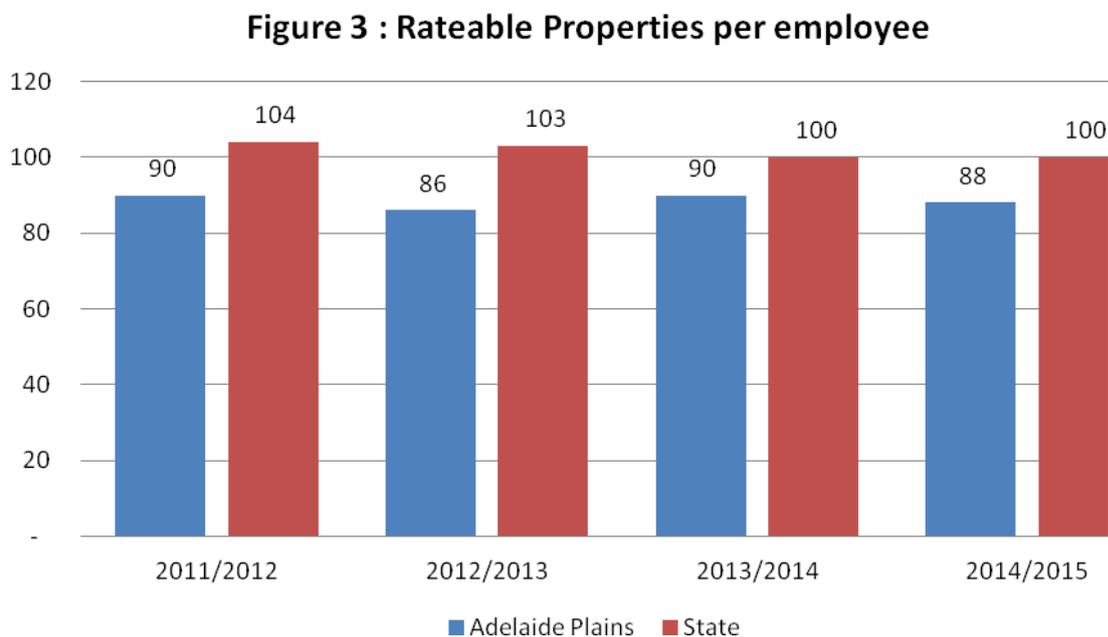
Total rates revenue as per Statement of Comprehensive Income divided by number of total full-time equivalent (FTE) employees as at 30<sup>th</sup> June of each financial year is given below in **Figure 2**.



Adelaide Plains Council's total rates revenue per employee has been below the State average over last four financial years. This signifies that APC is maintaining relatively higher number of staff members compared to the State. However, growth in rates income per employee at APC is fairly consistent with that of the State as the ratio has gone up by 15.13% (from \$0.119m in 2011/2012 to \$0.137m in 2014/2015) for APC against State increase of 15.17% (from \$0.145m in 2011/2012 to \$0.167m in 2014/2015).

➤ **Number of rateable properties per employee**

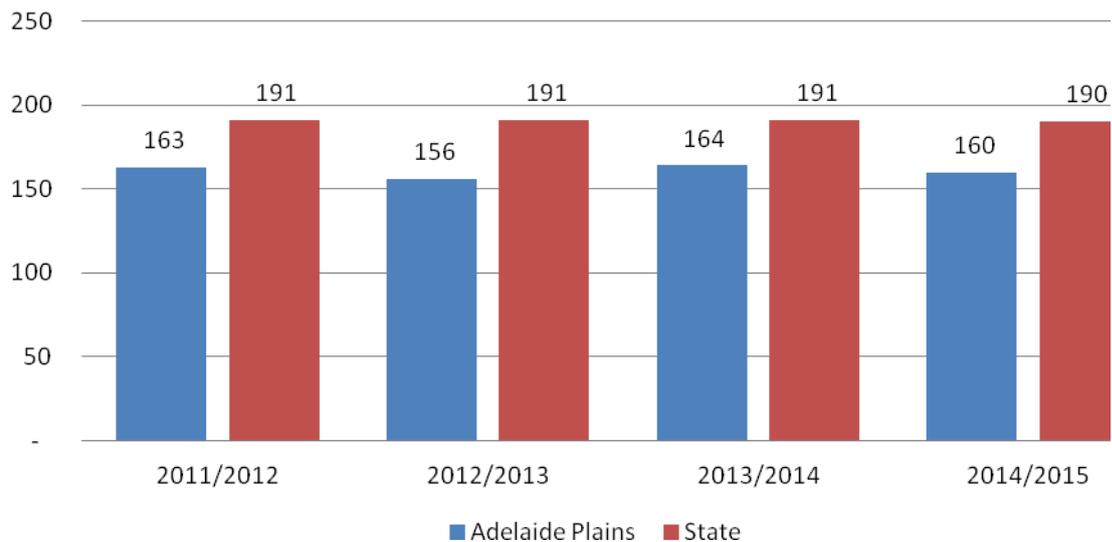
The following graph in **Figure 3** shows number of rateable properties, which generate rates income, serve by an employee as at 30<sup>th</sup> June of each financial year. Adelaide Plains Council is serving 14 less properties in 2011/2012 and 12 less properties in 2014/2015 when compared to the State average. This could be due to a combination of economies of scale, less staff efficiency & productivity compared to State average and level of growth experienced by the Councils in the State. However, an improved ratio in 2014/2015 Financial Year signifies that the Council is heading towards right direction as the gap in the ratio between the State & the Council has declined in 2014/2015.



➤ **Council district population per employee**

This ratio calculates the estimated resident population as at 30 June of each financial year serve by an employee. The ratio has been remained consistent for the State, however, it has moved up & down with regard to the Adelaide Plains Council. This is mainly due to reduction in population growth in the district compared to the State.

**Figure 4 : Council district population per employee**



However, number of staff members employed by the Council is not necessarily a function of its rate income or total expenditure as many factors influence staff numbers. For example factors such as;

- i. extent & the type of road network;
- ii. area of the Council;
- iii. availability of contractors;
- iv. number of services provided by the Council;
- v. extent of growth & development activities taking place;
- vi. service delivery model (external contractors or own staff);
- vii. nature and the scope of special projects undertaken;
- viii. compliance with government rules & regulations that affect Council operations & responsibilities;

will determine the optimum level of staff numbers required to delivery Council services & programs.

For example, while most of the Council's in the State deliver its waste collection program through contractors, APC delivers the service in house with a 1.5 full-time equivalent staff.

### **Summary**

The Council's employee costs and number of employees compared to its rates revenue is high in comparison to the State. However, in addition to the rates revenue, there are many factors affecting the optimum level of staff numbers and employee costs and only a thorough review of Council's internal operations, service range, level and service delivery method will dictate/deicide sustainable staff numbers.

 <b>Adelaide Plains Council</b>	<b>4.2 Draft Audited Annual Financial Statements 2015/2016</b>
	<b>Container No: CON12/491</b>  <b>Document No: D16/21560</b>
<b>Report Date: 15 December 2016</b>	<b>Prepared by: Acting General Manager – Finance and Economic Development</b>
<b>Corporate Objective:</b>	5.4 Effective strategic and performance management  5.5 Effective financial management that ensures Council's financial sustainability

<b>Purpose:</b>	To present 2015/2016 Audited Annual Financial Statements for comment and consideration by the Audit Committee in accordance with the Section 127 of the Local Government Act 1999 and with the Regulations 10, 13-14 of the Local Government (Finance Management) Regulations 2011.
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<b>Recommendation 1:</b>	“that the Committee, receives the Annual Financial Statements and notes forming part of the Annual Financial statements for the 2015/2016 Financial Year”
<b>Recommendation 2:</b>	“that the Committee, has reviewed the Annual Financial Statements for the year ended 30 June 2016 and formed the opinion that they present a true and fair view and recommends to the Council that they be formally adopted and be certified on behalf of the Council by the Mayor and Chief Executive Officer.”
<b>Recommendation 3:</b>	“that the Committee authorises the Committee Chairman to sign the “Certification of Auditor Independence”.

## Impact Summary

### Organisational and Governance

Financial	Nil
Legislation	Local Government Act 1999 Section 126. Local Government (Financial Management) Regulations 2011 Regulation 14. Audit Committee Terms of Reference.
Risk	Low
Consultation	Nil
Asset Management Plans	Nil
Service Standards	Nil

## Background

2015/2016 Audited Annual Financial Statements & Notes have been prepared in accordance with Section 127 of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011. Regulation 13 of the Local Government (Financial Management) Regulations 2011 requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements. A template based on the Model Financial Statements and developed by Coalface Software Solutions was used in the preparation 2015/2016 Audited Annual Financial Statements and Notes.

Section 126 (4) (a) of the Local Government Act 1999 Act requires that the functions of an Audit Committee to include “reviewing annual financial statements to ensure that they present fairly the state of affairs of the council”.

## Discussion

Management can confirm that to the best of their knowledge, the 2016 Financial Statements represent a true and fair view of the state of affairs of the Council as at 30 June 2016. In 2015/2016 Financial Year, the Council has made an Operating Deficit of \$733,749 against an Operating Surplus of \$155,712 made in 2014/2015 Financial Year.

The Council’s Auditor, Bentleys SA Pty Ltd is yet to conclude the audit (field visit has been completed), but it is not expected to have any major changes to the draft 2015/2016 Financial Statements contained in (**Attachment 1**). Audit Committee members will be notified at the meeting if there is any changes to attached Financial Statements. Auditors have also indicated that the Auditor’s Independence Declaration will be issued with the audit report.

Following **Table 1** shows major variances in income and expenses as per 2015/2016 Statement of Comprehensive Income compared to 2014/2015 Financial Year based on audited financial results.

**Table 1: Statement of Comprehensive Income**

Description	2015/2016	2014/2015	Favourable/ (Unfav.)	
	Actual	Actual	\$	%
	\$	\$		
<b>INCOME</b>				
Rates	8,112,516	7,489,788	622,728	8
Statutory charges	325,479	354,714	(29,235)	(8)
User charges	115,413	86,767	28,646	33
Grants, subsidies and contributions	1,452,028	1,973,347	(521,319)	(26)
Investment income	7,665	5,083	2,582	51

Reimbursements	282,508	329,678	(47,170)	(14)
Other income	136,943	129,242	7,701	6
<b>Total Income</b>	<b>10,432,552</b>	<b>10,368,618</b>	<b>63,934</b>	<b>1</b>
<b>EXPENSES</b>				
Employee costs	4,326,041	4,256,643	(69,398)	(2)
Materials, contracts & other expenses	3,726,567	3,070,811	(655,756)	(21)
Depreciation, amortisation & impairment	2,619,196	2,334,552	(284,644)	(12)
Finance costs	427,625	445,964	18,339	4
Net loss - equity accounted Council businesses	66,872	104,936	38,064	36
<b>Total Expenses</b>	<b>11,166,301</b>	<b>10,212,906</b>	<b>(953,395)</b>	<b>(9)</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>				
	<b>(733,749)</b>	<b>155,712</b>	<b>(889,461)</b>	<b>(571)</b>
Asset disposal & fair value adjustments	(52,403)	6,187	(58,590)	(947)
Amounts received specifically for new or upgraded assets	871,592	276,963	594,629	215
Physical resources received free of charge	661,308	560,080	101,228	18
<b>NET SURPLUS / (DEFICIT)</b>	<b>746,748</b>	<b>998,942</b>	<b>(252,194)</b>	<b>(25)</b>
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment	<b>4,386,306</b>	10,350,351	(5,964,045)	(58)
Share of other comprehensive income - equity accounted Council businesses	(22,643)	(22,594)	(49)	0
Impairment (expense) / recoupment offset to asset revaluation reserve	(434,056)	(695,955)	261,899	(38)
<b>Total Other Comprehensive Income</b>	<b>3,929,607</b>	<b>9,631,802</b>	<b>(5,702,195)</b>	<b>(59)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,676,355</b>	<b>10,630,744</b>	<b>(5,954,389)</b>	<b>(56)</b>

The reasons for major variances are explained below.

➤ **Rates (Increased by \$622,728)**

- Rate in the \$ was increased by 3.8% in 2015/2016 and the value of existing properties had increased by 1.3% followed by a new assessment growth of 1.0%.
- Council commenced charging fees for Mallala CWMS system since 2015/2016 Financial Year, resulting an additional income of \$170,526.

➤ **Statutory Charges (Reduced by \$29,235)**

- Fees & charges levied under Development Act has reduced from 167,786 in 2014/2015 Financial Year to \$126,542 in 2015/2016, a reduction of \$41,244 due to cost of development reduced by \$6.6 million in 2015/2016 (planning fees are based on the cost of development).
- Income from dog infringement has gone up in 2015/2016 by \$6,411.

- **User charges (Increased by \$28,646)**
  - In June 2016, the Council received \$16,454 for four (4) years worth of rental income (not charged previously due to an oversight) from Axicom Assets for use of Council depot premises for their transmission tower.
  
- **Grants, subsidies and contributions (Reduced by \$521,319)**
  - Two (2) instalments of 2015/2016 Financial Assistance Grant paid in advance in June 2015. This advance payment was recognised as an income in 2014/2015 Financial Year as required by Australian Accounting Standards for untied government grants resulting a net reduction in grant income by \$1,317,724 in 2015/2016 compared to previous year.
  - Council received Roads to Recovery (R2R) of \$514,689 in 2015/2016 whereas in 2014/2015 Financial Year, it didn't receive any R2R grant funding.
  - Council received reimbursement of \$273,135 from LGA CWMS Subsidy Funding Scheme for rectification works of Mallala CWMS.
  
- **Reimbursements (Reduced by \$47,170)**
  - Income from private works has reduced by \$14,272 in 2015/2016.
  - Council received one-off \$33,939 from NRM Board for the construction of Parham Levy in 2014/2015 Financial Year.
  
- **Employee costs (Increased by \$69,398)**
  - Salaries & wages of Council staff were increased by 2.5% in 2015/2016 Financial Year pending the conclusion negotiations for a new Enterprise Bargaining Agreements. Previous agreement expired on 30 June 2015.
  
- **Materials, contracts & other expenses (Increased by \$655,756)**
  - In 2014/2015 Financial Year, landfill remediation provision of \$334,588 in relation to Councils Coleman Road facility was written back following the reassessment of value of the remaining provision as remedial work was completed in 2014/2015.
  - Amount paid for Council corporate IT system (Authority) has increased by \$33,138 in 2015/2016 mainly due to annual fee increase and timing differences.
  - Grants & contributions paid to various community organisations as part of "Community Partnerships Funding" program has been \$42,184 in 2015/2016 Financial Year whereas it was \$28,243 in 2014/2015 Financial Year.
  - Amount paid to the Light Regional Council for the secondment of CEO at Adelaide Plains Council in 2015/2016 is \$82,761.
  - \$273,135 associated with rectification works of Mallala CWMS has been expensed & fully reimbursed by the LGA CWMS Subsidy Funding Scheme.

- **Depreciation, amortisation & impairment (increased by \$284,644)**
  - Additional depreciation costs associated with revaluation of land, buildings, bridges & stormwater assets as of 01 July 2015. (Roads - \$107,350, Kerbing – \$33,946 & Stormwater assets – \$35,548)
  - Full year impact of the new/upgraded fixed assets added to the asset register is 2014/2015 Financial Year. (CWMS - \$78,070, Open Space - \$10,618, Stormwater \$3,585 & Roads assets - \$13,250)
  
- **Finance costs (Reduced by \$18,339)**
  - Interest paid on long-term debentures has reduced by \$39,304 in 2015/2016 compared to 2014/2015 as interest portion included in loan instalments being reduced progressively.
  - Compared to previous year, Council paid additional interest expense of \$20,965 in 205/2016 with regard to Cash Advance Facilities the Council had with Local Government Financing Authority.
  
- **Net loss - equity accounted Council businesses (Increased by \$38,064)**
  - Gawler River Floodplain Management Authority (GRFMA) made an Operating Deficit of \$241,853 in 2015/2016) compared to an Operating Deficit of \$377,740 in 2014/2015. In addition, Council share of the net assets of GRFMA reduced to 27.65% in 2015/2016 from 27.78% in 2014/2015. The Operating Deficit of GRFMA has reduced in 2015/2016 mainly due to expenses associated with flood mitigation (\$136,000) that was incurred in 2014/2015.

➤ **Non-Operating Income**

As result of combined effects of capital grant received specifically for new or upgraded assets \$871,592 (\$276,963m in 2014/2015)), loss on asset disposal and fair value adjustments \$52,403(surplus of \$6,187 in 2014/2015) and assets received by the council free of charge \$661,308 (\$560,080 in 2014/2015) the Council is reporting Net Surplus of \$785,791 in 2015/2016 Financial Year against a Net Surplus of \$998,942 in 2014/2015 Financial Year.

The Council received following grants and contributions specifically for new or upgraded assets during 2015/2016 Financial Year.

<b>Grant Description</b>	<b>Amount</b>
Mallala CWMS	626,865
Black Spot Funding for the Baker Road Ford project	244,727
<b>Total</b>	<b>1,144,727</b>

During the year, Council received the following land assets free of charge from developers;

- Roads, (Dunlop Boulevard & Pontt Road) \$ 494,548
- Stormwater Drainage (Dunlop Boulevard & Pontt Road) \$ 166,760

## **Balance Sheet**

### ➤ **Total Assets**

Council's total asset base has increased from \$95,556,306 at 30/06/2015 to \$98,887,015 at 30/06/2016, an increase of \$3,330,709 mainly due increase in value of fixed assets following the revaluation of Council's land, building, roads, footpath & bridge assets.

### ➤ **Total Liabilities**

Council's total liabilities have reduced from \$11,851,612 at 30/06/2015 to \$10,505,966 at 30/06/2016, a reduction of \$1,345,646, mainly due combined impact of reduction of Council's long-term debts by \$528,240 through principal repayments, reduction in trade creditors by \$166,430 and reduction in Council's cash advance facility with Local Government Financing Authority by \$550,000.

## **Financial Indicators**

As shown in **Table 2**, Council is reporting Operating Deficit Ratio of 7.00% in 2015/2016 Financial Year against an Operating Surplus Ratio of 2.00% in 2014/2015 Financial Year. However, an underlying operating results (reported operating position adjusted for advance payment of Financial Assistance Grant) shows a breakeven position.

**Table 2: Financial Indicators for the Past 3 Financial Years**

Financial Ratio	2016	2015	2014
Operating Surplus/(Deficit) - \$'000	(0.734)	0.156	(0.667)
Operating Surplus Ratio - %	(7.00)	2.00	(8.00)
Adjusted Operating Surplus/(Deficit) - \$'000	(0.075)	(0.503)	0.002
Adjusted Operating Surplus Ratio - %	(1.00)	(5.00)	0.00
Net Financial Liabilities Ratio - %	84	92	88
Asset Sustainability Ratio - %	378	209	22

## **Summary**

The Council is reporting an Operating Deficit of \$733,749 from its operations undertaken in the 2015/2016 Financial Year against Operating Surplus of \$155,712, an unfavourable variance of \$889,461.

**Attachment 1**

to report 4.2 – **Draft Audited Annual Financial Statements**  
dated 15 December 2016

*General Purpose Financial Reports for year ended 30 June 2016*

# DISTRICT COUNCIL of MALLALA

## General Purpose Financial Reports for the year ended 30 June 2016

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**DISTRICT COUNCIL of MALLALA**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>INCOME</b>			
Rates	2	8,112,516	7,489,787
Statutory charges	2	325,479	354,714
User charges	2	115,413	86,768
Grants, subsidies and contributions	2	1,452,028	1,973,347
Investment income	2	7,665	5,082
Reimbursements	2	282,508	329,678
Other income	2	136,943	129,242
<b>Total Income</b>		<u>10,432,552</u>	<u>10,368,618</u>
<b>EXPENSES</b>			
Employee costs	3	4,326,041	4,256,643
Materials, contracts & other expenses	3	3,726,567	3,070,811
Depreciation, amortisation & impairment	3	2,619,196	2,334,552
Finance costs	3	427,625	445,964
Net loss - equity accounted Council businesses	19	66,872	104,936
<b>Total Expenses</b>		<u>11,166,301</u>	<u>10,212,906</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(733,749)</b>	155,712
Asset disposal & fair value adjustments	4	(52,403)	6,187
Amounts received specifically for new or upgraded assets	2	871,592	276,963
Physical resources received free of charge	2	661,308	560,080
<b>NET SURPLUS / (DEFICIT)</b>		<b>746,748</b>	998,942
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	4,386,306	10,350,351
Share of other comprehensive income - equity accounted Council businesses	19	(22,643)	(22,594)
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(434,056)	(695,955)
<b>Total Other Comprehensive Income</b>		<u>3,929,607</u>	9,631,802
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>4,676,355</u>	<u>10,630,744</u>

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

## DISTRICT COUNCIL of MALLALA

### STATEMENT OF FINANCIAL POSITION as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	672,561	919,511
Trade & other receivables	5	1,045,711	1,345,984
Inventories	5	<u>264,025</u>	<u>269,511</u>
<b>Total Current Assets</b>		<u><b>1,982,297</b></u>	<u><b>2,535,006</b></u>
<b>Non-current Assets</b>			
Equity accounted investments in Council businesses	6	4,748,923	4,838,438
Infrastructure, property, plant & equipment	7	92,152,958	87,380,139
Other non-current assets	6	<u>2,837</u>	<u>802,723</u>
<b>Total Non-current Assets</b>		<u><b>96,904,718</b></u>	<u><b>93,021,300</b></u>
<b>Total Assets</b>		<u><b>98,887,015</b></u>	<u><b>95,556,306</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	1,150,784	1,404,827
Borrowings	8	3,467,796	5,878,240
Provisions	8	<u>1,083,823</u>	<u>1,088,876</u>
<b>Total Current Liabilities</b>		<u><b>5,702,403</b></u>	<u><b>8,371,943</b></u>
<b>Non-current Liabilities</b>			
Borrowings	8	4,738,645	3,406,440
Provisions	8	<u>64,918</u>	<u>73,229</u>
<b>Total Non-current Liabilities</b>		<u><b>4,803,563</b></u>	<u><b>3,479,669</b></u>
<b>Total Liabilities</b>		<u><b>10,505,966</b></u>	<u><b>11,851,612</b></u>
<b>NET ASSETS</b>		<u><b>88,381,049</b></u>	<u><b>83,704,694</b></u>
<b>EQUITY</b>			
Accumulated Surplus		29,798,416	29,051,668
Asset Revaluation Reserves	9	58,487,683	54,558,076
Other Reserves	9	<u>94,950</u>	<u>94,950</u>
<b>TOTAL EQUITY</b>		<u><b>88,381,049</b></u>	<u><b>83,704,694</b></u>

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

## DISTRICT COUNCIL of MALLALA

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

2016	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	TOTAL EQUITY \$
Balance at end of previous reporting period		29,051,668	54,558,076	94,950	83,704,694
<b>Net Surplus / (Deficit) for Year</b>		<b>746,748</b>			<b>746,748</b>
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	4,386,306	-	4,386,306
Impairment (expense) / recouplements offset to asset revaluation reserve		-	(434,056)	-	(434,056)
Share of other comprehensive income - equity accounted Council businesses		-	(22,643)	-	(22,643)
<b>Balance at end of period</b>		<b>29,798,416</b>	<b>58,487,683</b>	<b>94,950</b>	<b>88,381,049</b>
2015					
Balance at end of previous reporting period		28,052,726	44,926,274	94,950	73,073,950
<b>Net Surplus / (Deficit) for Year</b>		<b>998,942</b>			<b>998,942</b>
<b>Other Comprehensive Income</b>					
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	10,350,351	-	10,350,351
Impairment (expense) / recouplements offset to asset revaluation reserve		-	(695,955)	-	(695,955)
Share of other comprehensive income - equity accounted Council businesses		-	(22,594)	-	(22,594)
<b>Balance at end of period</b>		<b>29,051,668</b>	<b>54,558,076</b>	<b>94,950</b>	<b>83,704,694</b>

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

# DISTRICT COUNCIL of MALLALA

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		7,972,337	7,477,521
Fees & other charges		351,337	358,262
User charges		121,799	90,513
Investment receipts		5,864	6,040
Grants utilised for operating purposes		1,560,930	1,973,347
Reimbursements		310,759	354,404
Other revenues		326,533	207,254
<u>Payments</u>			
Employee costs		(4,426,742)	(4,185,767)
Materials, contracts & other expenses		(3,955,894)	(3,401,230)
Finance payments		(276,252)	(445,964)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>1,990,671</b>	<b>2,434,380</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		871,592	103,963
Sale of replaced assets		140,755	112,767
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,470,319)	(1,208,593)
Expenditure on new/upgraded assets		(701,409)	(3,892,037)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(1,159,381)</b>	<b>(4,883,900)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from borrowings		6,010,000	3,625,000
<u>Payments</u>			
Repayments of borrowings		(7,088,240)	(621,937)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(1,078,240)</b>	<b>3,003,063</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(246,950)</b>	<b>553,543</b>
Cash & cash equivalents at beginning of period	11	919,512	365,969
<b>Cash &amp; cash equivalents at end of period</b>	11	<b>672,562</b>	<b>919,512</b>

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

# District Council of Mallala

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

##### 1.4 Rounding

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

#### 2 The Local Government Reporting Entity

The District Council of Mallala is incorporated under the SA Local Government Act 1999 and has its principal place of business at 2A Wasleys Road, Mallala. These financial statements include the consolidated fund 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:

Financial Year	Cash Payment			Difference
	Received	Annual Allocation		
2013/2014	495,137	1,397,901	-	902,764
2014/2015	1,811,828	1,152,956	+	658,872
2015/2016	636,718	1,291,126	-	654,408

The actual amount of untied grants received during the reporting period are disclosed in Note 2.

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

##### 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.

##### 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 fair value, and further that such value if determined would be immaterial.

###### 6.2 Initial Recognition

All assets are initially recognised at cost. 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. 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".

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 as follows. 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

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

##### 6.4 Subsequent Recognition

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

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

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

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

Major depreciation periods for each class of asset are shown below. 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.

##### Plant, Furniture & Equipment

> Office Equipment	4 to 10 years
> Office Furniture	10 to 25 years
> Vehicles and Road-making Equip	6 to 40 years
> Other Plant & Equipment	5 to 40 years

##### Building & Other Structures

> Buildings – masonry	50 to 150 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 30 years
> Sealed Roads – Structure	20 to 130 years
> Unsealed Roads	10 to 30 years
> Bridges – Concrete	80 to 150 years
> Paving & Footpaths, Kerb & Gutter	50 to 100 years
> Drains	50 to 100 years
> Culverts	50 to 80 years
> Flood Control Structures	80 to 100 years
> Reticulation Pipes – PVC	70 to 80 years
> Reticulation Pipes – other	25 to 75 years
> Pumps & Telemetry	15 to 25 years

##### 6.6 Impairment

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

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

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

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

##### 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 1.3% (2015, 1.7%)  
Weighted average settlement period 5 years (2015, 5 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.

###### 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 18.

##### 10 Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

##### 11 Leases

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

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

In respect of finance leases, where Council substantially carries all of the risks incident to ownership, the leased items are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

#### 12 GST Implications

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

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

#### 13 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments - Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with customers
AASB 124	Related Party Disclosures

Standards containing consequential amendments to other Standards and Interpretations arising from the above :-

AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB2014-9, 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 none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Australian Accounting Standards Board is currently reviewing AASB 1004 Contributions. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

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 2019/20 financial period, it is not Council's intention to adopt this Standard early.

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 2 - INCOME

	Notes	2016 \$	2015 \$
<b>RATES REVENUES</b>			
<u>General Rates</u>		7,185,863	6,770,321
Less: Discretionary rebates, remissions & write offs		<u>(26,467)</u>	<u>(50,746)</u>
		<b>7,159,396</b>	<b>6,719,575</b>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		152,258	149,160
Waste collection		514,305	506,472
Community wastewater management systems		<u>190,446</u>	<u>19,660</u>
		<b>857,009</b>	<b>675,293</b>
<u>Other Charges</u>			
Penalties for late payment		76,824	60,931
Legal & other costs recovered		<u>19,299</u>	<u>34,069</u>
		<b>96,123</b>	<b>95,000</b>
Less: Discretionary rebates, remissions & write offs		<u>(12)</u>	<u>(80)</u>
		<b>8,112,516</b>	<b>7,489,787</b>
<b>STATUTORY CHARGES</b>			
Development Act fees		126,543	167,787
Health & Septic Tank Inspection fees		32,410	29,091
Animal registration fees & fines		164,213	155,371
Parking fines / expiation fees		89	560
Other licences, fees, & fines		<u>2,224</u>	<u>1,905</u>
		<b>325,479</b>	<b>354,714</b>
<b>USER CHARGES</b>			
Cemetery/crematoria fees		32,499	19,813
Museum Admission Fees		5,105	3,884
Hall & equipment hire		2,369	2,201
Rubbish/Recycling Collection Fees		29,205	26,697
Sales - general		10,508	13,771
Sundry		<u>35,727</u>	<u>20,402</u>
		<b>115,413</b>	<b>86,768</b>
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		7,117	4,721
Banks & other		<u>548</u>	<u>361</u>
		<b>7,665</b>	<b>5,082</b>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

### NOTE 2 - INCOME (continued)

	Notes	2016 \$	2015 \$
<b>REIMBURSEMENTS</b>			
- for private works		65,124	79,397
- by joint undertakings		217,384	244,963
- other		-	5,318
		<u>282,508</u>	<u>329,678</u>
<b>OTHER INCOME</b>			
Rebates received		123,659	103,569
Sundry		13,284	25,673
		<u>136,943</u>	<u>129,242</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		871,592	276,963
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		636,718	1,947,088
Roads to Recovery		514,689	-
2016 National Youth Week		2,000	-
Library & Communications		24,886	26,259
Reimbursment for Mallala CWMS Rectification Works		273,135	0
Mallala Museum		600	-
		<u>1,452,028</u>	<u>1,973,347</u>
		<u>2,323,620</u>	<u>2,250,310</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
<b>Sources of grants</b>			
Commonwealth government		600	-
State government		663,604	1,973,347
Other		1,659,416	276,963
		<u>2,323,620</u>	<u>2,250,310</u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### NOTE 2 - INCOME (continued)

	2016	2015
	Notes	
	\$	\$
<b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>		
Roads, Bridges & Footpaths	494,548	427,083
Stormwater Drainage	166,760	132,997
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>	<u>661,308</u>	<u>560,080</u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 3 - EXPENSES

	Notes	2016 \$	2015 \$
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		3,796,283	3,510,416
Employee leave expense		331,017	564,300
Superannuation - defined contribution plan contributions	18	278,236	278,537
Superannuation - defined benefit plan contributions	18	75,564	83,571
Workers' Compensation Insurance		196,520	188,700
Less: Capitalised and distributed costs		<u>(351,579)</u>	<u>(368,881)</u>
<b>Total Operating Employee Costs</b>		<b><u>4,326,041</u></b>	<b><u>4,256,643</u></b>
<b>Total Number of Employees</b>		<b>56</b>	<b>56</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		14,000	9,000
Elected members' expenses		131,661	152,360
Election expenses		20,098	28,375
Operating Lease Rentals - cancellable leases		<u>14,271</u>	<u>11,638</u>
Subtotal - Prescribed Expenses		<b><u>180,030</u></b>	<b><u>201,373</u></b>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		714,956	366,672
Energy		313,624	403,179
Repairs & Maintenance		272,811	385,146
Parts, accessories & consumables		498,264	519,166
Waste Collection & Disposal		421,048	425,973
Information Technology - Software & Licensing		303,953	267,694
Rubble		127,271	163,045
Contributions & Donations		76,759	64,291
Legal Expenses		182,766	173,549
Levies paid to government - NRM levy		152,576	149,414
- Other Levies		77,029	83,780
Professional services		287,220	348,440
Memberships & Subscriptions		86,287	101,576
Insurance		250,856	228,758
Grading		141,192	181,861
Individually Significant Items		-	(334,588)
Sundry		939,546	836,857
Less: Capitalised and distributed costs		<u>(1,299,621)</u>	<u>(1,495,376)</u>
Subtotal - Other Materials, Contracts & Expenses		<b><u>3,546,537</u></b>	<b><u>2,869,437</u></b>
		<b><u>3,726,567</u></b>	<b><u>3,070,811</u></b>
<b>INDIVIDUALLY SIGNIFICANT ITEMS</b>			
A provision for landfill remediation for Councils Coleman Road facility was taken up in the 2011-12 financial year based on estimates by Tonkin Engineering. The work has largely been completed as of this financial year and the value of the remaining provision reassessed.			
		<u>-</u>	<u>(334,588)</u>

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 3 - EXPENSES (cont)

	Notes	2016 \$	2015 \$
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Land Improvements		15,681	15,681
Buildings & Other Structures		575,670	553,512
Infrastructure			
- Roads, Kerbing & Footpaths		1,540,036	1,400,392
- Stormwater Drainage		89,414	86,131
- CWMS		89,511	-
Plant, Machinery & Equipment		377,996	388,658
Furniture & Equipment		42,216	34,355
<b>Impairment</b>			
Roads, Kerbing & Footpaths		419,401	488,897
Buildings & Other Structures		14,655	-
Stormwater & Structures		-	207,058
		<u>3,164,580</u>	<u>3,174,684</u>
Less: Capitalised and distributed costs		(111,328)	(144,177)
Less: Impairment expense offset to asset revaluation reserve	9	(434,056)	(695,955)
		<u>2,619,196</u>	<u>2,334,552</u>
<b>FINANCE COSTS</b>			
Interest on overdraft and short-term drawdown		190,200	166,648
Interest on Loans		237,425	279,316
		<u>427,625</u>	<u>445,964</u>

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

	2016	2015
Notes	\$	\$
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	140,755	112,767
Less: Carrying amount of assets sold	<u>193,158</u>	<u>106,580</u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	<u>(52,403)</u>	<u>6,187</u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 5 - CURRENT ASSETS

	2016	2015
<b>CASH &amp; EQUIVALENT ASSETS</b>		
	Notes	
	\$	\$
Cash on Hand and at Bank	105,872	120,789
Deposits at Call	566,689	798,722
	<u>672,561</u>	<u>919,511</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>		
Rates - General & Other	709,738	569,560
Accrued Revenues	2,592	792
Debtors - general	68,901	63,745
GST Recoupment	167,256	176,126
Prepayments	97,224	535,761
	<u>1,045,711</u>	<u>1,345,984</u>
<b>INVENTORIES</b>		
Stores & Materials	264,025	269,511
	<u>264,025</u>	<u>269,511</u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 6 - NON-CURRENT ASSETS

		2016	2015
FINANCIAL ASSETS	Notes	\$	\$
Receivables			
<b>EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES</b>			
<i>Gawler River Floodplain Management Authority</i>	19	<u>4,748,923</u>	<u>4,838,438</u>
		<u>4,748,923</u>	<u>4,838,438</u>
<b>OTHER NON-CURRENT ASSETS</b>			
Capital Works-in-Progress		<u>2,837</u>	<u>802,723</u>
		<u>2,837</u>	<u>802,723</u>

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

	Fair Value Level	2015 \$				2016 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - Community	3	11,061,381	-	-	11,061,381	11,699,580	-	-	11,699,580
Land - Other	2	1,655,160	262,258	-	1,917,418	1,962,668	-	-	1,962,668
Land Improvements	3	547,166	146,598	(505,699)	188,065	547,166	155,723	(521,380)	181,509
Buildings & Other Structures	3	18,658,812	2,752,320	(10,648,132)	10,763,000	22,806,696	301,400	(11,346,802)	11,761,294
Infrastructure									
- Roads, Kerbing & Footpaths	3	65,810,811	1,946,028	(14,984,286)	52,772,553	69,690,165	1,479,808	(17,122,656)	54,047,317
- Stormwater Drainage	3	5,272,584	244,727	(2,145,988)	3,371,323	7,334,781	647,799	(2,814,745)	5,167,835
- CWMS	3	240,220	4,103,418	(87,080)	4,256,558	353,762	4,211,749	(205,707)	4,359,804
Plant, Machinery & Equipment		-	5,878,466	(2,985,204)	2,893,262	-	5,894,997	(3,106,268)	2,788,729
Furniture & Equipment		-	392,487	(235,908)	156,579	-	462,346	(278,124)	184,222
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		103,246,134	15,726,302	(31,592,297)	87,380,139	114,394,818	13,153,822	(35,395,682)	92,152,958
<i>Comparatives</i>		<b>84,129,032</b>	<b>19,408,627</b>	<b>(30,329,552)</b>	<b>73,208,107</b>	<b>103,246,134</b>	<b>15,726,302</b>	<b>(31,592,297)</b>	<b>87,380,139</b>

*This Note continues on the following pages.*

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

	2015	CARRYING AMOUNT MOVEMENTS DURING YEAR							2016	
	\$	\$							\$	
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers		Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals	In				Out			
Land - Community	11,061,381	-	-	-	-	-	-	-	638,199	11,699,580
Land - Other	1,917,418	-	-	-	-	-	-	-	45,250	1,962,668
Land Improvements	188,065	9,125	-	-	(15,681)	-	-	-	-	181,509
Buildings & Other Structures	10,763,000	242,937	60,348	-	(575,670)	(14,655)	(1,885)	-	1,287,219	11,761,294
Infrastructure										
- Roads, Kerbing & Footpaths	52,772,553	1,015,455	958,900	-	(1,540,036)	(419,401)	-	-	1,259,846	54,047,317
- Stormwater Drainage	3,371,323	814,560	-	-	(89,414)	-	-	-	1,071,366	5,167,835
- CWMS	4,256,558	108,331	-	-	(89,511)	-	-	-	84,426	4,359,804
Plant, Machinery & Equipment	2,893,262	-	466,621	(193,158)	(377,996)	-	-	-	-	2,788,729
Furniture & Equipment	156,579	67,974	-	-	(42,216)	-	-	1,885	-	184,222
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>87,380,139</b>	<b>2,258,382</b>	<b>1,485,869</b>	<b>(193,158)</b>	<b>(2,730,524)</b>	<b>(434,056)</b>	<b>(1,885)</b>	<b>1,885</b>	<b>4,386,306</b>	<b>92,152,958</b>
<i>Comparatives</i>	<b>73,208,107</b>	<b>5,900,279</b>	<b>1,202,666</b>	<b>(106,580)</b>	<b>(2,478,729)</b>	<b>(695,955)</b>	<b>327,300</b>	<b>(327,300)</b>	<b>10,350,351</b>	<b>87,380,139</b>

*This Note continues on the following pages.*

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

##### Valuation of Assets

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.19 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent additions at cost, this remains as the basis of recognition of non-material asset classes.

##### **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.

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

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

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

**Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets:** There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

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

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

##### Land & Landscaping

Pursuant to Council's election, freehold land and land over which Council has control, but does not have title, are initially recognised on the cost basis. A revaluation of land was done at fair value as at 01 July 2015 by Graham L Martin, BBus Property (Val) AAPI, CPV, of Maloney Field Services.

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. A revaluation was done at fair value as at 1 June 2007. Acquisitions after that are recognised at cost. Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

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.

##### Building & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values. However, special purpose buildings (such as public toilets) for which there is no market are valued at depreciated current replacement cost. Buildings which Council does not intend to replace at the end of their useful life are valued at the market value of the "highest and best" use. These assets were revalued as at 01 July 2015 by Graham L Martin, BBus Property (Val) AAPI, CPV, of Maloney Field Services.

##### Road Infrastructure

Road Infrastructure assets, kerbing and footpaths were revalued by Council officers with external assistance by Tonkin Engineering at written down current replacement cost as at 1 July 2015, all acquisitions after that date are recorded at cost.

##### Other Infrastructure

Stormwater drainage infrastructure were valued by Council officers as at 1 July 2015 at written down current replacement cost, based on replacement costs and surveys during the reporting period ended 30 June 2015 and pursuant to Council's election are disclosed at fair value. All acquisitions made after the respective dates of valuation are recorded at cost.

Bridges were revalued as at 01 July 2015 by Graham L Martin, BBus Property (Val) AAPI, CVP, of Maloney Field Services.

Community wastewater management scheme at Middle Beach was valued by Environmental Water Services at written down current replacement cost during the reporting period ended 30 June 2015 and pursuant to Council's election are disclosed at Depreciated replacement cost. No change in value has resulted but useful life has been reassessed with a corresponding change in rate of depreciation.

All acquisitions made after the respective dates of valuation are recorded at cost.

##### Equipment & Furniture and All other Assets

Pursuant to Council's election, these assets are recognised on the cost basis.

The remediation of a landfill site on Coleman Road had been estimated by Tonkins Engineering on May 8, 2012 at \$464,232 based on an environmental survey. The provision for remediation has been adjusted down with expected completion in the 2016/2017 year.

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 8 - LIABILITIES

	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		567,210	-	885,013	-
Payments received in advance		39,258	-	39,258	-
Accrued expenses - employee entitlements		53,629	-	150,928	-
Accrued expenses - other		223,745	-	72,372	-
Other		266,942	-	257,256	-
		<u>1,150,784</u>	<u>-</u>	<u>1,404,827</u>	<u>-</u>

### BORROWINGS

Short term draw down facility					
Loans		3,467,796	4,738,645	5,878,240	3,406,440
		<u>3,467,796</u>	<u>4,738,645</u>	<u>5,878,240</u>	<u>3,406,440</u>

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

### PROVISIONS

Employee entitlements (including oncosts)		993,785	64,918	988,876	73,229
Future reinstatement / restoration, etc		90,038	-	100,000	-
		<u>1,083,823</u>	<u>64,918</u>	<u>1,088,876</u>	<u>73,229</u>

### *Movements in Provisions - 2016 year only (current & non-current)*

<i>Opening Balance</i>	<i>100,000</i>
<i>(Less) Payments</i>	<u><i>(9,962)</i></u>
<i>Closing Balance</i>	<u><i>90,038</i></u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2015	Net Increments (Decrements)	Transfers, Impairments	30/6/2016
Notes	\$	\$	\$	\$
Land - Community	8,904,630	638,199	-	9,542,829
Land - Other	2,600,375	45,250	-	2,645,625
Land Improvements	6,899,067	-	-	6,899,067
Buildings & Other Structures Infrastructure	-	1,287,219	(14,655)	1,272,564
- Roads, Kerbing & Footpaths	35,412,800	2,415,638	(419,401)	37,409,037
Joint Ventures - Other	741,204	(22,643)	-	718,561
Comprehensive Income			-	
<b>TOTAL</b>	<b>54,558,076</b>	<b>4,363,663</b>	<b>(434,056)</b>	<b>58,487,683</b>
<i>Comparatives</i>	<i>44,926,274</i>	<i>10,327,757</i>	<i>(695,955)</i>	<i>54,558,076</i>

OTHER RESERVES	1/7/2015	Transfers to Reserve	Transfers from Reserve	30/6/2016
CWMS Reserve - Middle Beach	48,917	-	-	48,917
Footpath Construction Reserve	46,033	-	-	46,033
<b>TOTAL OTHER RESERVES</b>	<b>94,950</b>			<b>94,950</b>
<i>Comparatives</i>	<i>94,950</i>	<i>-</i>	<i>-</i>	<i>94,950</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**

**The CWMS Reserve** [previously STEDS] is rate revenue received in excess of annual expenditure held for future maintenance of the scheme

**Footpath Construction Reserve** is funds received from developers and held for future footpath construction.

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### 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.

		2016	2015
CASH & FINANCIAL ASSETS	Notes	\$	\$
Developer Contributions		174,156	155,060
CWMS - Middle Beach Scheme		48,917	48,917
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<b>223,073</b>	<b>203,977</b>

Developer Contributions are restricted to either open space landscaping or footpaths in the applicable developments.

CWMS Scheme are restricted to maintenance of CWMS facilities.

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### 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:

		2016		2015
	Notes	\$		\$
Total cash & equivalent assets	5	672,561		919,511
Less: Short-term borrowings	8	-		-
Balances per Cash Flow Statement		672,561		919,511

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

Net Surplus (Deficit)		746,748		998,942
Non-cash items in Income Statement				
Depreciation, amortisation & impairment		2,619,196		2,334,552
Equity movements in equity accounted investments (increase) decrease		66,872		104,936
Net increase (decrease) in unpaid employee benefits		(100,701)		70,876
Non-cash asset acquisitions		(661,308)		(560,080)
Grants for capital acquisitions treated as Investing Activity		(871,592)		(103,963)
Net (Gain) Loss on Disposals		52,403		(6,187)
		1,851,618		2,839,076
Add (Less): Changes in Net Current Assets				
Net (increase) decrease in receivables		300,273		49,385
Net (increase) decrease in inventories		5,486		(61,290)
Net increase (decrease) in trade & other payables		(156,744)		(349,463)
Net increase (decrease) in other provisions		(9,962)		(43,328)
<b>Net Cash provided by (or used in) operations</b>		<b>1,990,671</b>		<b>2,434,380</b>

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

Acquisition of assets by means of:

- Physical resources received free of charge	3	661,308		560,080
<i>Amounts recognised in Income Statement</i>		661,308		560,080
- Estimated future reinstatement etc. costs		(9,962)		(377,916)
		651,346		182,164

**(d) Financing Arrangements**

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

Corporate Credit Cards		12,000		16,000
LGFA Cash Advance Debenture facility		6,500,000		6,500,000

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### 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	2016	2015	2016	2015	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Business Undertakings	533,155	353,741	355,480	358,133	177,675	(4,392)	-	-	953,569	921,451
Community Services	39,069	114,299	465,982	706,352	(426,913)	(592,053)	2,000	-	10,339,927	9,991,658
Culture	32,995	42,376	202,010	408,547	(169,015)	(366,171)	25,486	26,259	1,460,498	1,411,306
Economic Development	-	2,092	1,273	163,429	(1,273)	(161,337)	-	-	-	-
Environment	47,287	47,779	1,176,739	914,021	(1,129,452)	(866,242)	-	-	12,747,520	12,318,158
Recreation	86,479	3,021	189,120	228,830	(102,641)	(225,809)	-	-	8,760,171	8,465,111
Regulatory Services	303,913	380,227	906,183	1,152,045	(602,270)	(771,818)	-	-	215,824	208,555
Transport	593,222	637,468	2,253,050	2,689,394	(1,659,828)	(2,051,926)	-	490,272	54,610,957	52,771,553
Plant Hire & Depot/Indirect	8,625	2,282	168,324	81,645	(159,699)	(79,363)	-	-	5,383,082	5,201,769
Council Administration	8,787,806	8,785,333	5,381,275	3,405,574	3,406,531	5,379,759	1,151,407	1,456,816	4,415,467	4,266,745
<b>TOTALS</b>	<b>10,432,551</b>	<b>10,368,618</b>	<b>11,099,436</b>	<b>10,107,970</b>	<b>(666,885)</b>	<b>260,648</b>	<b>1,178,893</b>	<b>1,973,347</b>	<b>98,887,015</b>	<b>95,556,306</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 MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

The activities relating to Council functions are as follows:

#### **Business Undertakings**

Camping facilities, Gravel Pits/Quarries, Private Works, and Sewerage/CWMS,

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

Crime Prevention, Emergency Services, Other Fire Protection

#### **Health Services**

Pest Control – Health, Immunisation

#### **Community Support**

Child and youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support,

#### **Community Amenities**

Cemeteries/Crematoria, public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

#### **Library Services**

Provision of three static facilities

#### **Cultural Services**

Cultural Services, Cultural Venues, Heritage and Museums , and Other Cultural Services.

#### **Economic Development**

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

#### **Environment - Waste Management**

Domestic Waste, Green Waste, E-Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management

#### **Other Environment**

Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

#### **Recreation**

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor,

#### **Regulatory Services**

Dog and Cat Control, Building Control, Town Planning, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

#### **Transport**

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

#### **Plant Hire & Depot /Indirect**

Plant and equipment, indirect expenditure and depot operations

#### **Governance**

Council Administration n.e.c., Elected Members, Organisational.

#### **Support Services**

Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records,

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 13 - FINANCIAL INSTRUMENTS

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

##### Accounting Policies - Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<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 1.75% and 2.0% (2015: 2.00% and 2.50%). Short term deposits have an average maturity of 30 days and an average interest rates of 2.0% (2015: 30 days, 2.0%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</b> Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<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 6.0% (2015: 6.0%) 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>
<b>Receivables - Fees &amp; other charges</b>	<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>
<b>Receivables - other levels of government</b>	<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>
<b>Liabilities - Creditors and Accruals</b>	<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>
<b>Liabilities - Interest Bearing Borrowings</b>	<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 on both credit foncier and cash advance; interest is charged at fixed rates between 4.5% and 8.1% for credit foncier (2015: 5.9% and 8.4%) and the cash advance at variable of 4.0% (2015: 4.2% as at 30 June 2015).</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Finance Leases</b>	<p><b>Accounting Policy:</b> accounted for in accordance with AASB 117.</p>

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

##### Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	672,561			672,561	672,561
Receivables	71,493			71,493	71,493
<b>Total</b>	<b>744,054</b>	-	-	<b>744,054</b>	<b>744,054</b>
<b>Financial Liabilities</b>					
Payables	873,410			873,410	873,410
Current Borrowings	3,758,461			3,758,461	3,467,796
Non-Current Borrowings		3,214,063	3,397,167	6,611,230	4,738,645
<b>Total</b>	<b>4,631,871</b>	<b>3,214,063</b>	<b>3,397,167</b>	<b>11,243,101</b>	<b>9,079,851</b>
<b>2015</b>	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial Assets</b>	\$	\$	\$	\$	\$
Cash & Equivalents	919,511			919,511	919,511
Receivables	64,537			64,537	64,537
<b>Total</b>	<b>984,048</b>	-	-	<b>984,048</b>	<b>984,048</b>
<b>Financial Liabilities</b>					
Payables	1,181,527			1,181,527	1,181,527
Current Borrowings	1,118,251		5,000,000	6,118,251	5,878,240
Non-Current Borrowings		3,049,955	1,026,687	4,076,642	3,406,440
<b>Total</b>	<b>2,299,778</b>	<b>3,049,955</b>	<b>6,026,687</b>	<b>11,376,420</b>	<b>10,466,207</b>

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
Other Variable Rates	4.13	2,890,000	4.25	5,350,000
Fixed Interest Rates	6.50	5,316,441	6.30	3,934,680
		<b>8,206,441</b>		<b>9,284,680</b>

#### 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 MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 14 - COMMITMENTS FOR EXPENDITURE

	2016	2015
	<u>Notes</u>	
	\$	\$
<b>Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Plant & Equipment	<u>84,000</u>	<u>30,266</u>
	<u>84,000</u>	<u>30,266</u>
These expenditures are payable:		
Not later than one year	<u>84,000</u>	<u>30,266</u>
	<u>84,000</u>	<u>30,266</u>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 15 - FINANCIAL INDICATORS

	2016	2015	2014
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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>	(7.0%)	2.0%	(8.0%)
Total Operating Revenue			

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

<b>Adjusted Operating Surplus Ratio</b>	(1%)	(5%)	0%
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*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

#### Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	84%	92%	88%
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>	378%	209%	22%
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 MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 16 - 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

	2016	2015
	\$	\$
Income	10,432,552	10,368,618
<i>less</i> Expenses	<u>11,166,301</u>	<u>10,212,906</u>
<b>Operating Surplus / (Deficit)</b>	<b>(733,749)</b>	<b>155,712</b>
<i>less</i> <b>Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	1,470,319	1,208,593
Depreciation, Amortisation and Impairment	(2,619,196)	(2,334,552)
Proceeds from Sale of Replaced Assets	<u>(140,755)</u>	<u>(112,767)</u>
	<b>(1,289,632)</b>	<b>(1,238,726)</b>
<i>less</i> <b>Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets	701,409	3,892,037
Amounts received specifically for New and Upgraded Assets	(871,592)	(103,963)
	<u>(170,183)</u>	<u>3,788,074</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>726,066</u></b>	<b><u>(2,393,636)</u></b>

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 17 - OPERATING LEASES

#### *Lease payment commitments of Council*

Council has entered into non-cancellable operating leases for 3 photocopiers.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to the photocopier equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

	2016	2015
	\$	\$
Not later than one year	9,357	9,504
Later than one year and not later than 5 years	10,448	8,872
	<u>19,805</u>	<u>18,376</u>

## District Council of Mallala

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 18 - SUPERANNUATION

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

##### **Marketlink (Accumulation Fund) Members**

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.50% in 2015/16; 9.50% in 2014/15). 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) 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 of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2014/15) 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 Plan 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.

As required by law, an actuarial valuation is conducted for the Local Super Scheme every three years in relation to Salarylink Scheme. The most recent review was conducted for the period 1 July 2011 to 30 June 2014. As a result of the review the actuary determined that the assets of the Scheme are adequate to meet the value of the liabilities of the Scheme in respect of Accrued Benefits, and would remain adequate throughout next three years to 30 June 2017. Therefore, the employer contribution rate (currently 6.3% of members' salaries) will remain unchanged until the next review at 30 June 2017.

##### **Contributions to Other Superannuation Schemes**

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

# DISTRICT COUNCIL of MALLALA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

### Note 19 - INTERESTS IN OTHER ENTITIES

#### Joint Operations

Section 43 of the Local Government Act 1999, provides that Councils may establish a regional subsidiary to carry out joint projects, functions or activities of the Councils

#### Central Local Government Region of South Australia

The District Council of Mallala is a member of the Central Local Government Region of South Australia, referred to in this report as the "Regional Subsidiary".

- undertake co-ordinating, advocacy and representational roles on behalf of its Constituent Councils at a regional level
- facilitate and co-ordinate activities of local government at a regional level related to community and economic development with the object of achieving improvement for the benefit of the communities of its Constituent Councils.
  - develop, encourage, promote, foster and maintain consultation and co-operation and to strengthen the representation and status of local government when dealing with other governments, private enterprise and the community;
- develop further co-operation between its Constituent Councils for the benefit of the communities of the region;
- develop and manage policies which guide the conduct of programs and projects in the region with the objective of securing the best outcomes for the communities of the region;
- undertake projects and activities that benefit the region and its communities;
- associate, collaborate and work in conjunction with other regional local government bodies for the advancement of matters of common interest.

During the 2015-16 year Council Subsidiary contributions were \$10,276.

#### Equity accounted Council Businesses

All equity accounted Council businesses are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

#### Gawler River Floodplain Management Authority (GRFMA)

The GRFMA has been established for the following purposes:

1. To coordinate the construction, operation and maintenance of flood mitigation infrastructure in the Gawler River area (the Floodplain);
2. To raise finance for the purpose of developing, managing and operating and maintaining flood mitigation works within the Floodplain;
3. To provide a forum for the discussion and consideration of topics relating to the Constituent Council's obligations and responsibilities in relation to management of flood mitigation within the Floodplain;
4. To enter into agreements with Constituent Councils for the purpose of managing and developing the Floodplain.

During the 2015-16 year Council's Regional Subsidiary contributions were for a subscription of \$14,629.

This note is continued on the next page.

## DISTRICT COUNCIL of MALLALA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Note 19 (cont) - INTERESTS IN OTHER ENTITIES

	2016	2015
<b>Gawler River Floodplains Management Authority</b>	<b>\$</b>	<b>\$</b>
Council's respective interests are:		
- interest in the operating result	28%	28%
- ownership share of equity	28%	28%
- the proportion of voting power	28%	28%
 <u>Movements in Investment in Joint Operation</u>	 <b>\$</b>	 <b>\$</b>
Opening Balance	4,838,438	4,965,968
Share in Operating Result	(66,872)	(104,936)
Adjustment to Equity Share	(22,643)	(22,594)
<b>Share in Equity of Joint Operation</b>	<b><u>4,748,923</u></b>	<b><u>4,838,438</u></b>

#### **Summarised financial information of the equity accounted business**

##### Statement of Financial Position

Cash and cash equivalents	197,544	211,938
Other current assets	3,646	3,072
Non-current assets	16,973,939	17,205,152
<b>Total assets</b>	<b><u>17,175,129</u></b>	<b><u>17,420,162</u></b>
Current trade and other payables	-	3,180
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>3,180</u></b>
<b>Net Assets</b>	<b><u>17,175,129</u></b>	<b><u>17,416,982</u></b>

##### Statement of Comprehensive Income

Other income	29	-
Contributions from constituent Councils	74,676	72,501
Interest income	3,925	8,859
<b>Total Income</b>	<b><u>78,630</u></b>	<b><u>81,360</u></b>
Materials, contracts & other expenses	89,271	227,887
Depreciation, amortisation & impairment	231,213	231,213
<b>Total expenses</b>	<b><u>320,484</u></b>	<b><u>459,100</u></b>
<b>Total Comprehensive Income</b>	<b><u>(241,854)</u></b>	<b><u>(377,740)</u></b>

# **DISTRICT COUNCIL of MALLALA**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2016**

### **Note 20 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION**

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 960 km of road reserves of average width 9 metres.

#### **2 BANK GUARANTEES**

Council has guaranteed an amount of \$36,000 for a lease on a rubble pit (6143 EML) (2015: \$36,000) at reporting date.

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

#### **3 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 is unaware of any appeals against planning decisions made prior to reporting date.

#### **4 POTENTIAL INSURANCES 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 has insured 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.

 <b>Adelaide Plains Council</b>	<b>4.3 Comparison of Audited Financial Results for 2015/2016 against Adopted Budget for 2015/2016</b>
	<b>Container No: CON 12/433</b>  <b>Document No: D16/21574</b>
<b>Report Date: 15 December 2016</b>	<b>Prepared by: Acting General Manager – Finance and Economic Development</b>
<b>Corporate Objective:</b>	<b>5.5 Effective financial management that ensures Council's financial sustainability</b>

<b>Purpose:</b>	The purpose of this report is to summarise the 2015/2016 Audited result and provide explanation for variations from the 2015/2016 Adopted Budget in accordance with the Section 127 of the Local Government Act 1999 and with the Regulations 10, of the Local Government (Finance Management) Regulations 2011.
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<b>Recommendation 1:</b>	“that the Committee having read Item 4.3 - <i>Comparison of Audited Financial Results for 2015/2016 against Adopted Budget for 2015/2016</i> , dated 15 December 2016, receives and notes the report.”
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## Impact Summary

### Organisational and Governance

Financial	Nil
Legislation	<i>Local Government (Financial Management) Regulations 2011, Regulation 10.</i>
Risk	Low
Consultation	Nil
Asset Management Plans	Nil
Service Standards	Nil

## Background

Pursuant to Section 127 of the Local Government Act 1999 (the Act), the Council must prepare Annual Financial Statements in accordance with the Local Government (Financial Management) Regulations 2011 (the Regulations).

Section 10 of the Regulations, requires the Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results, operating surplus ratio, net financial liabilities ratio and asset sustainability ratio of the Council for the previous financial year, compared with the estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

## Discussion

The 2015/2016 Annual Financial Statements have been finalised and a separate report is provided on the 2015/2016 Annual Financial Statements for consideration by the Audit Committee and is included in Item "4.2: Draft Audited Annual Financial Statements 30 June 2016". The following discussion contains 2015/2016 Audited Financial Statements comparing the actual result to the 2015/2016 Adopted Budget as required by Section 10 of the Regulations.

## Statement of Comprehensive Income

As shown in the **Table 1** above, the Council ended the financial year with an Operating Deficit of \$733,749, compared to the Council's Adopted Operating Budget, which forecasted an Operating Deficit of \$2,142,611.

**Table 1: Statement of Comprehensive Income**

Description	2015/2016	2015/2016	Favourable/ (Unfav.)	
	Actual	Budget	\$	%
	\$	\$	\$	%
<b>INCOME</b>				
Rates	8,112,516	8,100,496	12,020	0
Statutory charges	325,479	321,432	4,047	1
User charges	115,413	77,472	37,941	49
Grants, subsidies and contributions	1,452,028	684,872	767,156	112
Investment income	7,665	-	7,665	-
Reimbursements	282,508	264,220	18,288	7
Other income	136,943	30,806	106,137	345
<b>Total Income</b>	<b>10,432,552</b>	<b>9,479,298</b>	<b>953,254</b>	<b>10</b>
<b>EXPENSES</b>				
Employee costs	4,326,041	4,517,461	191,420	4
Materials, contracts & other expenses	3,726,567	4,555,828	829,261	18
Depreciation, amortisation & impairment	2,619,196	2,056,107	(563,089)	(27)
Finance costs	427,625	492,513	64,888	13
Net loss - equity accounted Council businesses	66,872	-	(66,872)	-
<b>Total Expenses</b>	<b>11,166,301</b>	<b>11,621,909</b>	<b>455,608</b>	<b>4</b>

<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>(733,749)</b>	<b>(2,142,611)</b>	<b>1,408,862</b>	<b>(66)</b>
Asset disposal & fair value adjustments	(52,403)	(36,000)	(16,403)	46
Amounts received specifically for new or upgraded assets	871,592	395,000	476,592	121
Physical resources received free of charge	661,308	-	661,308	-
<b>NET SURPLUS / (DEFICIT)</b>	<b>746,748</b>	<b>(1,783,611)</b>	<b>2,530,359</b>	<b>(142)</b>
<b>Other Comprehensive Income</b>				
Changes in revaluation surplus - infrastructure, property, plant & equipment	4,386,306	-	4,386,306	-
Share of other comprehensive income - equity accounted Council businesses	(22,643)	-	(22,643)	-
Impairment (expense) / recoupment offset to asset revaluation reserve	(434,056)	-	(434,056)	-
<b>Total Other Comprehensive Income</b>	<b>3,929,607</b>	<b>-</b>	<b>3,929,607</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,676,355</b>	<b>(1,783,611)</b>	<b>6,459,966</b>	<b>(362)</b>

The reasons for major variances between actual results and budget adopted on 27 July 2015 are explained below.

➤ **Rates (Increased by \$12,020)**

- Discretionary & mandatory rebates given on Council rates lower than budgeted by \$28,533.

➤ **Statutory Charges (Increased by \$4,047)**

- Income from health & septic tanks inspection is higher than budgeted by \$7,054.

➤ **User charges (Increased by \$37,941)**

- Income from cemetery operations is higher than budgeted by \$12,495 due to higher number of burial & cremation leases.
- Council received unbudgeted income of \$5,334 from a Road Reserve Permit and four (4) years' worth of rental income of \$16,454 from Axicom Assets for use of Council depot premises for their transmission tower.

➤ **Grants, subsidies and contributions (Increased by \$767,156)**

- After the adoption of the 2015/2016 budget, Council was notified that \$514,689 will be received under Roads to Recovery (R2R) in 2015/2016 and therefore an estimate was not included as part of Adopted budget approved by the Council in July 2015.
- Council received unbudgeted reimbursement of \$273,135 from LGA CWMS Subsidy Funding Scheme for rectification works of Mallala CWMS.

- **Reimbursements (Increased by \$18,288)**
  - Council received Special distribution of \$9,726 from LGA Asset Mutual Fund
  
- **Other Income (Increased by \$106,137)**
  - Income from LGFA Special bonus, Workers Compensation Scheme rebate and surplus distribution from LGA Asset Mutual Fund is higher than budgeted by \$106,109.
  
- **Employee costs (decreased by \$191,420)**
  - Actual employee costs is less than budgeted due to a combination of unfilled positions (Horticulture – 1 FTE, Road Constructions – 1 FTE) and delay in filling Planning & Compliance Officer position (6 months vacant) in 2015/2016 Financial Year.
  
- **Materials, contracts & other expenses (Decreased by \$829,261)**
  - Actual costs associated with engaging external consultants is lower than budgeted by \$301,171 mainly due to projects not completed in relation to Development Plan Amendments (\$94,726), Strategic Plan & IT Review (\$80,015), Strategic Projects (\$54,565), Strategy & Policy Community Infrastructure (\$99,985).
  - 2015/2016 Budget contained an allocation of \$500,000, being Council's contribution towards Two Wells roundabout. However, the construction of the roundabout was commenced in 2015/2016.
  
- **Depreciation, amortisation & impairment (Increased by \$563,089)**
  - The increase in value of fixed assets following the revaluation was \$10,350,351 in 2014/2015 (effective date 01/04/2014) & \$4,386,306 (effective date 01/04/2015). When preparing the adopted budget for 2015/2016 those increases in asset valuations were not known and therefore not considered in estimated the depreciation for 2015/2016 Financial Year resulting actual depreciation expense being higher than budgeted.
  
- **Finance costs (Reduced by \$64,888)**
  - Interest costs associated with Council's long-term & short-tem borrowing is lower than budgeted due to a combination of reduction in LGFA cash advance rates and delay in borrowing funds to finance Council's contribution towards Mallala CWMS.

➤ **Net loss - equity accounted Council businesses (Increased by \$66,872)**

- Adopted budget didn't account for the Council share of the profit or loss from Gawler River Flood Management Authority which made an Operating Deficit of \$241,853 in 2015/2016 and the Council share of the net assets of GRFMA in 2015/2016 is 27.65%.

**Balance Sheet**

The Audited Balance Sheet of the Council is shown under **Table 2** below.

**Table 2: Balance Sheet**

Description	2015/2016	2015/2016	Favourable/ (Unfav.)	
	Actual	Budget	\$	%
	\$	\$	\$	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	672,561	747,000	(74,439)	(10)
Trade & other receivables	1,045,711	585,000	460,711	79
Inventories	264,025	81,000	183,025	226
<b>Total Current Assets</b>	<b>1,982,297</b>	<b>1,413,000</b>	<b>569,297</b>	<b>40</b>
<b>Non-current Assets</b>				
Equity accounted investments in Council businesses	4,748,923	4,966,000	(217,077)	(4)
Infrastructure, property, plant & equipment	92,152,958	77,215,000	14,937,958	19
Other non-current assets	2,837	461,000	(458,163)	(99)
<b>Total Non-current Assets</b>	<b>96,904,718</b>	<b>82,642,000</b>	<b>14,262,718</b>	<b>17</b>
<b>Total Assets</b>	<b>98,887,015</b>	<b>84,055,000</b>	<b>14,832,015</b>	<b>18</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade & other payables	1,150,784	1,189,000	(38,216)	(3)
Borrowings	3,467,796	7,560,000	(4,092,204)	(54)
Provisions	1,083,823	464,000	619,823	134
<b>Total Current Liabilities</b>	<b>5,702,403</b>	<b>9,213,000</b>	<b>(3,510,597)</b>	<b>(38)</b>
<b>Non-current Liabilities</b>				
Borrowings	4,738,645	2,846,000	1,892,645	67
Provisions	64,918	34,000	30,918	91
<b>Total Non-current Liabilities</b>	<b>4,803,563</b>	<b>2,880,000</b>	<b>1,923,563</b>	<b>67</b>
<b>Total Liabilities</b>	<b>10,505,966</b>	<b>12,093,000</b>	<b>(1,587,034)</b>	<b>(13)</b>
<b>NET ASSETS</b>	<b>88,381,049</b>	<b>71,962,000</b>	<b>16,419,049</b>	<b>23</b>
<b>EQUITY</b>				
Accumulated Surplus	29,798,416	26,931,000	2,867,416	11

Asset Revaluation Reserves	58,487,683	44,936,000	13,551,683	30
Other Reserves	94,950	95,000	(50)	(0)
<b>TOTAL EQUITY</b>	<b>88,381,049</b>	<b>71,962,000</b>	16,419,049	23

➤ **Total Assets**

Council's total asset base has increased by \$14,832,015 mainly due to increase in its fixed assets following the revaluation of fixed assets in 2014/2015 (an increase of \$10,350,351 with the effective date being 01/04/2014) & in 2015/2016 (an increase of \$4,386,306 with the effective date being 01/04/2015). When preparing the adopted budget for 2015/2016 those increases in asset valuations were not known.

➤ **Total Liabilities**

Total liabilities has reduced by \$1,587,034 mainly due to reduction in long and short-term borrowings.

**Financial Indicators**

Audited actual financial indicators against that of budgeted are given below in **Table 3**. Accordingly, the Council exceeded its targets with regard to Operating Surplus Ratio & Net Financial Liabilities Ratio but fall short in relation to Asset Sustainability Ratio.

- i. An improved operating deficit has been achieved due to reasons explained under **Table 1**, resulting Operating Surplus Ratio being exceeded budget;
- ii. Reduction in Net Financial Liabilities ratio following a reduction in its long & short-term debts; and
- iii. Asset Sustainability Ratio has improved significantly mainly due to bring forward asset renewal/replacement expenditure as a result of additional Roads-to-Recovery grants of \$514,689 received in 2015/2016 Financial Year.

**Table 3: Financial Indicators for 2015/2016 (%)**

	Adopted Budget 2015/2016	Audited Actual 2016/2015
Operating Surplus Ratio	(23)	(7.00)
Net Financial Liabilities Ratio	112	84
Asset Sustainability Ratio	83	378

**Summary**

The Council achieved a significant improvement in its operating results when compared with 2015/2016 Adopted Budget approved by the Council on 27 July 2015. However, the Council should continue to drive its focus on improving productivity and achieve financial sustainability.