

DISTRICT COUNCIL OF TUMBY BAY

General Purpose Financial Reports for the year ended 30 June 2014

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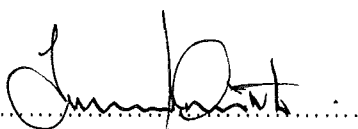
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DISTRICT COUNCIL OF TUMBY BAY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

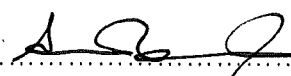
CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2014 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



Trevor Smith
CHIEF EXECUTIVE OFFICER



Laurie Collins
MAYOR/COUNCILLOR

Date: 14TH OCTOBER 2014

DISTRICT COUNCIL OF TUMBY BAY

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
INCOME			
Rates	2	3,907	3,669
Statutory charges	2	75	64
User charges	2	201	128
Grants, subsidies and contributions	2	821	1,109
Investment income	2	44	56
Reimbursements	2	37	98
Other income	2	244	174
Net gain - equity accounted Council businesses	19	-	-
Total Income		5,329	5,298
EXPENSES			
Employee costs	3	1,618	1,445
Materials, contracts & other expenses	3	3,049	2,639
Depreciation, amortisation & impairment	3	1,653	1,687
Finance costs	3	48	43
Net loss - equity accounted Council businesses	19	7	13
Total Expenses		6,375	5,827
OPERATING SURPLUS / (DEFICIT)		(1,046)	(529)
Asset disposal & fair value adjustments	4	(57)	108
Amounts received specifically for new or upgraded assets	2	-	100
Physical resources received free of charge	2	-	133
NET SURPLUS / (DEFICIT)		(1,103)	(188)
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	6	(40,357)
Total Other Comprehensive Income		6	(40,357)
TOTAL COMPREHENSIVE INCOME		(1,097)	(40,545)

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

DISTRICT COUNCIL OF TUMBY BAY

STATEMENT OF FINANCIAL POSITION as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	847	1,552
Trade & other receivables	5	249	175
Inventories	5	44	59
Total Current Assets		1,140	1,786
Non-current Assets			
Financial assets	6	169	68
Equity accounted investments in Council businesses	6	276	305
Infrastructure, property, plant & equipment	7	52,682	52,418
Other non-current assets	6	250	957
Total Non-current Assets		53,377	53,748
Total Assets		54,517	55,534
LIABILITIES			
Current Liabilities			
Trade & other payables	8	305	394
Borrowings	8	627	700
Provisions	8	339	171
Total Current Liabilities		1,271	1,265
Non-current Liabilities			
Borrowings	8	225	147
Provisions	8	53	57
Total Non-current Liabilities		278	204
Total Liabilities		1,549	1,469
NET ASSETS		52,968	54,065
EQUITY			
Accumulated Surplus		3,150	3,149
Asset Revaluation Reserves	9	49,204	49,198
Other Reserves	9	614	1,718
TOTAL EQUITY		52,968	54,065

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

DISTRICT COUNCIL OF TUMBAY BAY

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

		Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
	Notes	\$'000	\$'000	\$'000	\$'000
2014					
Balance at end of previous reporting period		3,149	49,198	1,718	54,065
Adjustment due to compliance with revised Accounting Standards					-
Adjustment to give effect to changed accounting policies					-
Restated opening balance		3,149	49,198	1,718	54,065
Net Surplus / (Deficit) for Year		(1,103)			(1,103)
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment			6		6
Transfers between reserves		1,104		(1,104)	-
Balance at end of period		3,150	49,204	614	52,968
2013					
Balance at end of previous reporting period		2,335	89,555	2,720	94,610
Restated opening balance		2,335	89,555	2,720	94,610
Net Surplus / (Deficit) for Year		(188)			(188)
Other Comprehensive Income					
Changes in revaluation surplus - infrastructure, property, plant & equipment			(40,357)		(40,357)
Transfers between reserves		1,002		(1,002)	-
Balance at end of period		3,149	49,198	1,718	54,065

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

DISTRICT COUNCIL OF TUMBY BAY

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		3,874	3,657
Fees & other charges		78	69
User charges		218	167
Investment receipts		53	76
Grants utilised for operating purposes		878	1,192
Reimbursements		41	108
Other revenues		567	4,865
<u>Payments</u>			
Employee costs		(1,565)	(1,490)
Materials, contracts & other expenses		(3,427)	(7,281)
Finance payments		(39)	(44)
Net Cash provided by (or used in) Operating Activities		678	1,319
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		-	100
Sale of replaced assets		72	239
Sale of surplus assets		-	43
Sale of real estate developments		211	453
Repayments of loans by community groups		21	15
Distributions received from equity accounted Council businesses		22	22
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,178)	(1,193)
Expenditure on new/upgraded assets		(396)	(1,618)
Development of real estate for sale		-	(30)
Loans made to community groups		(140)	(25)
Net Cash provided by (or used in) Investing Activities		(1,388)	(1,994)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		140	198
<u>Payments</u>			
Repayments of borrowings		(135)	(31)
Net Cash provided by (or used in) Financing Activities		5	167
Net Increase (Decrease) in cash held		(705)	(508)
 Cash & cash equivalents at beginning of period	11	1,552	2,060
Cash & cash equivalents at end of period	11	847	1,552

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

DISTRICT COUNCIL OF TUMBY BAY

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

The District Council of Tumby Bay is incorporated under the SA Local Government Act 1999 and has its principal place of business at 25 West Terrace, Tumby Bay. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

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

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

District Council of Tumby Bay

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

Note 1 - Significant Accounting Policies (cont)

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$214,084 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$428,809 and in June 2013, again two quarters of the 2013/14 allocation: \$435,511. Accordingly, in the reporting period ended 30 June 2012, Council's operating deficit was effectively understated by \$214,725.

It is anticipated that these amounts in advance will be adjusted at some future time, but details of the timing of this are not currently available. The total amounts to be adjusted at 30 June 2014 is \$435,511 (\$2013, \$6,702).

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

3.1 Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Inventories

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

5.1 Real Estate Assets Developments

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

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

District Council of Tumby Bay

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

Note 1 - Significant Accounting Policies (cont)

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

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

6.2 Initial Recognition

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

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

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

6.6 Impairment

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

District Council of Tumby Bay

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

Note 1 - Significant Accounting Policies (cont)

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

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

6.7 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

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

District Council of Tumby Bay

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

Note 1 - Significant Accounting Policies (cont)

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly 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 Leases

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

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 within the appropriate asset class, 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.

11 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.

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 2014 reporting period and have not been used in preparing these reports.

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

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

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

Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

District Council of Tumby Bay

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

Note 1 - Significant Accounting Policies (cont)

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

DISTRICT COUNCIL OF TUMBY BAY

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

Note 2 - INCOME

	Notes	2014 \$'000	2013 \$'000
RATES REVENUES			
<u>General Rates</u>		2,971	2,820
Less: Mandatory rebates		(21)	(22)
Less: Discretionary rebates, remissions & write offs		(19)	(10)
		<u>2,931</u>	<u>2,788</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		116	118
Waste collection		386	328
Community wastewater management systems		447	405
Separate and Special Rates		6	5
		<u>955</u>	<u>856</u>
<u>Other Charges</u>			
Penalties for late payment		12	12
Legal & other costs recovered		9	13
		<u>21</u>	<u>25</u>
		<u>3,907</u>	<u>3,669</u>
STATUTORY CHARGES			
Development Act fees		26	21
Town planning fees		14	11
Health & Septic Tank Inspection fees		8	7
Animal registration fees & fines		16	14
Other licences, fees, & fines		11	11
		<u>75</u>	<u>64</u>
USER CHARGES			
Cemetery/crematoria fees		21	14
Property Rental		44	42
Sundry		136	72
		<u>201</u>	<u>128</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		32	47
Banks & other		4	5
Loans to community groups		8	4
		<u>44</u>	<u>56</u>

DISTRICT COUNCIL OF TUMBY BAY

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

NOTE 2 - INCOME (continued)

	2014	2013
Notes	\$'000	\$'000
REIMBURSEMENTS		
- for roadworks	8	
- for private works	14	29
- other	15	69
	<u>37</u>	<u>98</u>
OTHER INCOME		
Sundry	244	174
	<u>244</u>	<u>174</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS		
Amounts received specifically for new or upgraded assets		100
Other grants, subsidies and contributions	821	1,109
	<u>821</u>	<u>1,209</u>
<i>The functions to which these grants relate are shown in Note 2.</i>		
Sources of grants		
Commonwealth government	190	190
State government	631	1,019
	<u>821</u>	<u>1,209</u>

DISTRICT COUNCIL OF TUMBY BAY

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

NOTE 2 - INCOME (continued)

	2014	2013
Notes	\$'000	\$'000
Conditions over grants & contributions		
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>		
<i>Unexpended at the close of the previous reporting period</i>	112	41
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
Community Amenities	<u>(96)</u>	<u>(29)</u>
Subtotal	<u>(96)</u>	<u>(29)</u>
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Community Amenities	25	
Recreation & Culture	<u>80</u>	<u>100</u>
Subtotal	<u>105</u>	<u>100</u>
<i>Unexpended at the close of this reporting period</i>	<u>121</u>	<u>112</u>
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	<u>9</u>	<u>71</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 3 - EXPENSES

	Notes	2014 \$'000	2013 \$'000
EMPLOYEE COSTS			
Salaries and Wages		1,433	1,264
Employee leave expense		224	199
Superannuation - defined contribution plan contributions	18	88	75
Superannuation - defined benefit plan contributions	18	54	54
Workers' Compensation Insurance		73	78
Less: Capitalised and distributed costs		(254)	(225)
Total Operating Employee Costs		1,618	1,445
 Total Number of Employees		 24	 24
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		9	9
Elected members' expenses		90	83
Election expenses		1	1
Subtotal - Prescribed Expenses		100	93
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		1,635	2,412
Energy		76	78
Plant Expenses		284	271
Water		78	123
Professional Services		333	215
Insurance		130	124
Levies paid to government - NRM levy		113	117
- Other Levies		17	25
Contributions		75	72
Advertising, Printing & Stationery		36	46
Telecommunications		29	33
Plant & Machinery		87	36
Legal Expenses		42	70
Materials		402	454
Information Technology		187	206
Sundry		250	234
Less: Capitalised and distributed costs		(825)	(1,970)
Subtotal - Other Materials, Contracts & Expenses		2,949	2,546
		3,049	2,639

DISTRICT COUNCIL OF TUMBY BAY

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

Note 3 - EXPENSES (cont)

	Notes	2014 \$'000	2013 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		387	379
Infrastructure		1,132	1,170
Plant & Equipment		213	187
Furniture & Fittings		1	3
		<u>1,733</u>	<u>1,739</u>
Less: Capitalised and distributed costs		<u>(80)</u>	<u>(52)</u>
		<u>1,653</u>	<u>1,687</u>
 FINANCE COSTS			
Interest on Loans		<u>48</u>	<u>43</u>
		<u>48</u>	<u>43</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2014 \$'000	2013 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		72	264
Less: Carrying amount of assets sold		<u>227</u>	<u>409</u>
Gain (Loss) on disposal		<u>(155)</u>	<u>(145)</u>
<i>Assets surplus to requirements</i>			
Proceeds from disposal		-	43
Less: Carrying amount of assets sold		<u>-</u>	<u>86</u>
Gain (Loss) on disposal		<u>-</u>	<u>(43)</u>
REAL ESTATE DEVELOPMENT ASSETS			
Proceeds from disposal		211	453
Less: Carrying amount of assets sold		<u>113</u>	<u>157</u>
Gain (Loss) on disposal		<u>98</u>	<u>296</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(57)</u>	<u>108</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 5 - CURRENT ASSETS

	Notes	2014 \$'000	2013 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		159	662
Deposits at Call		688	890
		<u>847</u>	<u>1,552</u>
 TRADE & OTHER RECEIVABLES			
Rates - General & Other		109	76
Accrued Revenues		38	47
Debtors - general		31	30
GST Recoupment		42	13
Prepayments		10	8
Loans to community organisations		22	4
Total		252	178
 Less: Allowance for Doubtful Debts		<u>3</u>	<u>3</u>
		<u>249</u>	<u>175</u>
 INVENTORIES			
Stores & Materials		44	59
		<u>44</u>	<u>59</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 6 - NON-CURRENT ASSETS

	Notes	2014 \$'000	2013 \$'000
FINANCIAL ASSETS			
Receivables			
Loans to community organisations		169	68
TOTAL FINANCIAL ASSETS		<u>169</u>	<u>68</u>
 EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES			
<i>Southern Eyre Peninsula Subsidiary</i>	19	<u>276</u>	<u>305</u>
		<u>276</u>	<u>305</u>
 OTHER NON-CURRENT ASSETS			
Inventories			
Real Estate Developments		250	363
Capital Works-in-Progress		-	594
		<u>250</u>	<u>957</u>
 <i>Real Estate Developments - Current & Non-Current (Valued at the lower of cost and net realisable value)</i>			
<i>Industrial & Commercial</i>		<u>250</u>	<u>363</u>
<i>Total Real Estate for Resale</i>		<u>250</u>	<u>363</u>
 <i>Represented by:</i>			
<i>Development Costs</i>		<u>250</u>	<u>363</u>
<i>Total Real Estate for Resale</i>		<u>250</u>	<u>363</u>
 <i>Apportionment of Real Estate Developments</i>			
<i>Non-Current Assets</i>		<u>250</u>	<u>363</u>
		<u>250</u>	<u>363</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2013				2014			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	10,000	-	-	10,000	10,000	135	-	10,135
Buildings & Other Structures	15,028	1,364	(6,568)	9,824	15,028	2,078	(6,955)	10,151
Infrastructure	47,107	1,175	(17,938)	30,344	46,554	2,214	(18,675)	30,093
Plant & Equipment	12	3,017	(780)	2,249	12	3,190	(899)	2,303
Furniture & Fittings	-	47	(46)	1	-	24	(24)	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	72,147	5,603	(25,332)	52,418	71,594	7,641	(26,553)	52,682
Comparatives	111,434	2,617	(22,289)	91,762	72,147	5,603	(25,332)	52,418

This Note continues on the following pages.

DISTRICT COUNCIL OF TUMBY BAY

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR						2014 \$'000
	2013 \$'000	\$'000					
		CARRYING AMOUNT	Additions		Disposals	Depreciation	
	New/Upgrade	Renewals					
Land	10,000	135	-	-	-	-	10,135
Buildings & Other Structures	9,824	-	714	-	(387)	-	10,151
Infrastructure	30,344	261	778	(164)	(1,132)	6	30,093
Plant & Equipment	2,249	-	331	(64)	(213)	-	2,303
Furniture & Fittings	1	-	-	-	(1)	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	52,418	396	1,823	(228)	(1,733)	6	52,682
Comparatives	91,762	1,751	1,494	(493)	(1,739)	(40,357)	52,418

This Note continues on the following pages.

DISTRICT COUNCIL OF TUMBY BAY

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

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

Valuation of Assets

General Valuation Principles

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are 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.

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

Office Furniture & Equipment	\$10,000
Other Plant & Equipment	\$10,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$10,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$10,000
Drains & Culverts	\$10,000
Road Seal & Reseal	\$4,000

DISTRICT COUNCIL OF TUMBY BAY

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

Note 7 – Property, Plant & Equipment (cont)

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

Plant, Furniture & Equipment	
Office Furniture & Equipment	3 years
Vehicles and Road-making Equip	2 to 13 years
Other Plant & Equipment	3 years
Building & Other Structures	
Buildings	25 to 80 years
Site Improvements	15 to 100 years
Playground Equipment	20 to 25 years
Infrastructure	
Sealed Roads – Surface	10 to 22 years
Unsealed Roads - Surface	10 to 40 years
Road Pavements	80 to 120 years
Footpaths	25 to 60 years
Kerb & Watertable	50 to 80 years
Bridges	80 years
Cross Drains	70 to 100 years
Floodways	100 years
Urban Stormwater	80 to 100 years
CWMS – Mains & Inspection Points	70 to 100 years
CWMS – Pump Stations	15 to 30 years
CWMS – Treatment Plant Components	10 to 50 years
CWMS – Treatment Lagoon	70 years
CWMS – Subsurface Irrigation	10 to 100 years

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 2011 at current replacement cost. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2011 by Greg McCloud BAppSc (Val) AAPI of Maloney Field Services.

Infrastructure

Transportation, Stormwater Drainage and Community Waste Water Management System assets were valued by Tonkin Consulting in consultation with Council staff at depreciated current replacement cost as at 30 June 2012. Valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

These assets are recognised on the cost basis.

DISTRICT COUNCIL OF TUMBY BAY

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

Note 8 - LIABILITIES

		2014 \$'000		2013 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		232		219	
Accrued expenses - employee entitlements		61		172	-
Accrued expenses - other		12		3	
		<u>305</u>	<u>-</u>	<u>394</u>	<u>-</u>
 BORROWINGS					
Loans		627	225	700	147
		<u>627</u>	<u>225</u>	<u>700</u>	<u>147</u>
 <i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
 PROVISIONS					
Employee entitlements (including oncosts)		339	53	171	57
		<u>339</u>	<u>53</u>	<u>171</u>	<u>57</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2013	Net Increments (Decrements)	Transfers, Impairments	30/6/2014
Notes	\$'000	\$'000	\$'000	\$'000
Asset Revaluation Reserve	49,198	6		49,204
TOTAL	49,198	6		49,204
<i>Comparatives</i>	89,555			89,555

OTHER RESERVES	1/7/2013	Transfers to Reserve	Transfers from Reserve	30/6/2014
General	1,718	65	(1,169)	614
TOTAL OTHER RESERVES	1,718	65	(1,169)	614
<i>Comparatives</i>	2,720	69	(1,071)	1,718

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).

General

These reserves represent money set aside by Council for various services and projects.

DISTRICT COUNCIL OF TUMBY BAY

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

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

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

	Notes	2014 \$'000	2013 \$'000
CASH & FINANCIAL ASSETS			
Unexpended amounts received from Federal Government			
Community Amenities		16	112
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		16	112

DISTRICT COUNCIL OF TUMBY BAY

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2014 \$'000	2013 \$'000
Total cash & equivalent assets	5	<u>847</u>	<u>1,552</u>
Balances per Cash Flow Statement		<u>847</u>	<u>1,552</u>

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

Net Surplus (Deficit)	(1,103)	(188)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	1,653	1,687
Equity movements in equity accounted investments (increase) decrease	7	13
Net increase (decrease) in unpaid employee benefits	53	(45)
Non-cash asset acquisitions	-	(133)
Grants for capital acquisitions treated as Investing Activity	-	(100)
Net (Gain) Loss on Disposals	<u>57</u>	<u>(108)</u>
	667	1,126
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(56)	87
Net (increase) decrease in inventories	15	70
Net increase (decrease) in trade & other payables	<u>52</u>	<u>36</u>
Net Cash provided by (or used in) operations	<u>678</u>	<u>1,319</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	3	<u>-</u>	<u>133</u>
<i>Amounts recognised in Income Statement</i>		<u>-</u>	<u>133</u>

(d) Financing Arrangements

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

Corporate Credit Cards	30	30
LGFA Cash Advance Debenture facility	1,480	1,480

DISTRICT COUNCIL OF TUMBY BAY

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

Note 12 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rates	3,906	3,670	-	-	3,906	3,670	-	-	-	-
Governance	-	-	380	390	(380)	(390)	-	-	-	-
Administration	132	50	858	788	(726)	(738)	-	-	3,598	4,173
Public Order & Safety	20	19	107	100	(87)	(81)	-	-	679	692
Social Security & Welfare	17	6	56	59	(39)	(53)	5	5	545	557
Health	7	65	98	91	(91)	(26)	1	-	-	-
Housing & Community	107	123	1,477	1,452	(1,370)	(1,329)	29	100	8,959	8,847
Recreation & Culture	302	92	977	668	(675)	(576)	116	12	7,387	7,475
Agriculture	9	5	3	3	6	2	-	-	-	-
Mining & Manufacture	16	13	119	76	(103)	(63)	-	-	-	-
Transport & Communication	450	580	2,180	2,016	(1,730)	(1,436)	411	546	28,538	28,972
Economic Affairs	10	2	55	62	(45)	(60)	-	-	215	228
Other Purposes	353	673	58	109	295	564	259	546	4,596	4,590
TOTALS	5,329	5,298	6,368	5,814	(1,039)	(516)	821	1,209	54,517	55,534

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 TUMBY BAY

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

Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Administration

Governance, Administration n.e.c., Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services and Revenues.

Public Order and Safety

Supervision of various By-Laws, General Inspection, Fire Prevention and Dog Control.

Social Security and Welfare

Home and Community Care, Port Neill Transport Scheme, Pensioner Rate Rebates and Youth Welfare including YAC & Youth Week Activities.

Health

Inspectorial Services, Food Premise Inspections, Immunisation Programs and Record Keeping.

Housing and Community Amenities

Planning, Development Plans, Public Conveniences, Septic Tank Administration, Street Lighting, Garbage Collection Services, Street Sweeping, Waste Oil Disposal, Drummuster, Dump Management, Community Waste Management System, Foreshore Protection, Cemeteries NRM Levy.

Recreation and Culture

Soldiers Memorial Hall, Excell Museum, Regional Development, Community Events, Assistance to Community Organisations, Libraries, Parks and Gardens, Playgrounds, Sporting Reserves and Recreational Jetties.

Agricultural Services

Pest Plant Control and Council owned Rural Land.

Mining, Manufacturing and Construction

Administration of the Development Act, Building Inspection.

Transport and Communication

Construction and Maintenance of Roads, Bridges and Culverts, Footpaths, Parking Facilities and Traffic Control Devices, Local Airstrip, Community Bus, Boat Ramps and Marina Facilities.

Economic Affairs

Tourism, Traveller's Rest Area, Community Development.

Other Purposes

Ritz Café and Private Works.

DISTRICT COUNCIL OF TUMBY BAY

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

Note 13 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: at call deposits are returning fixed interest rates between 2.5% and 2.75% (2013: 2.75% and 3.5%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
<p>Receivables - Rates & Associated Charges (including legals & penalties for late payment)</p> <p>Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.</p>	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 7.75% (2013: 8.5%) 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>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable 6 monthly for fixed loans and at Council's discretion for cash advance loans. Interest is charged at fixed rates between 4.8% and 6.75% (2013: 4.8% and 6.75%). Interest on cash advance borrowings is charged at rates between 4.75% and 5% (2013: 5% and 5.5%)</p> <p>Carrying amount: approximates fair value.</p>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2014	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	847			847	847
Receivables	337			337	312
Total	1,184	-	-	1,184	1,159
Financial Liabilities					
Payables	232			232	232
Current Borrowings	627			627	627
Non-Current Borrowings	-	144	81	225	225
Total	859	144	81	1,084	1,084

2013	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	1,552			1,552	1,552
Receivables	73	53	44	170	170
Total	1,625	53	44	1,722	1,722
Financial Liabilities					
Payables	219	-	-	219	219
Current Borrowings	700	-	-	700	700
Non-Current Borrowings	-	82	65	147	147
Total	919	82	65	1,066	1,066

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

	30 June 2014		30 June 2013	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	4.75	627	5.0	667
Fixed Interest Rates	6.0	225	6.0	180
		852		847

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 TUMBY BAY

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

Note 14 - COMMITMENTS FOR EXPENDITURE

	<u>Notes</u>	2014 \$'000	2013 \$'000
Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Buildings		-	63
		-	63
These expenditures are payable:			
Not later than one year		-	63
		-	63

DISTRICT COUNCIL OF TUMBY BAY

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

Note 15 - FINANCIAL INDICATORS

	2014	2013	2012
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

Operating Surplus Ratio

<u>Operating Surplus</u>	(28%)	(15%)	(20%)
Rates - general & other less NRM levy			

This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.

Adjusted Operating Surplus Ratio

(16%)	(15%)	(27%)
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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>	5%	(6%)	(21%)
Total Operating Revenue less NRM levy			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue (excluding NRM levy).

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	68%	57%	98%
Infrastructure & Asset Management Plan required expenditure		*	*

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

Amounts shown above an asterisk () indicate that depreciation expense has been used as a proxy, pending finalisation of the Infrastructure & Asset Management Plan.*

DISTRICT COUNCIL OF TUMBY BAY

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

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

	2014 \$'000	2013 \$'000
Income	5,329	5,298
less Expenses	<u>6,375</u>	<u>5,827</u>
Operating Surplus / (Deficit)	(1,046)	(529)
<i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on renewal and replacement of Existing Assets	1,178	1,193
Depreciation, Amortisation and Impairment	(1,653)	(1,687)
Proceeds from Sale of Replaced Assets	<u>(72)</u>	<u>(239)</u>
	(547)	(733)
<i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	396	1,648
Amounts received specifically for New and Upgraded Assets	-	(100)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>(211)</u>	<u>(496)</u>
	185	1,052
Net Lending / (Borrowing) for Financial Year	<u>(684)</u>	<u>(848)</u>

DISTRICT COUNCIL OF TUMBY BAY

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

Note 17 - OPERATING LEASES

Leases providing revenue to the Council

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

Lessees commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:

	2014 \$'000	2013 \$'000
Not later than one year	29	28
Later than one year and not later than 5 years	97	86
	<u>126</u>	<u>114</u>

DISTRICT COUNCIL OF TUMBY BAY

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

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 (9.3% in 2013/14; 9% in 2012/13). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

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

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

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

The most recent actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

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 TUMBY BAY

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

Note 19 - 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.

Southern Eyre Peninsula Subsidiary

Established by District Council of Tumby Bay and District Council of Lower Eyre Peninsula to provide shared machinery for two Councils.

	2014 \$'000	2013 \$'000
Southern Eyre Peninsula Subsidiary		
Council's respective interests are:		
- interest in the operating result	50%	50%
- ownership share of equity	50%	50%
- the proportion of voting power	50%	50%
 <u>Movements in Investment in Joint Operation</u>	 \$'000	 \$'000
Opening Balance	305	340
Share in Operating Result	(7)	(13)
Distributions Received	(22)	(22)
Share in Equity of Joint Operation	<u>276</u>	<u>305</u>

DISTRICT COUNCIL OF TUMBY BAY

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

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.

LAND UNDER ROADS

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

At reporting date, Council controlled 1,409 km of road reserves with width varying between 20 and 60 metres.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE DISTRICT COUNCIL OF TUMBY BAY

We have audited the accompanying financial report of the District Council of the Tumby Bay which comprises the balance sheet as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity, cash flow statement, summary of significant accounting policies, other explanatory notes and the certification of financial statement for the year ended 30 June 2014.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the District Council of Tumby Bay as of 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1999 together with the Local Government (Financial Management) Regulations 2011.



IAN G MC DONALD FCA
CHARTERED ACCOUNTANT
REGISTERED COMPANY AUDITOR

Signed 29 day of October 2014, at Adelaide, South Australia

Liability limited by a scheme approved under Professional Standards Legislation

DISTRICT COUNCIL OF TUMBY BAY


ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of District Council of Tumby Bay for the year ended 30 June 2014, the Council's Auditor, Ian McDonald FCA, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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


Trevor Smith
CHIEF EXECUTIVE OFFICER


Murray Mason
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 26th September 2014

DISTRICT COUNCIL OF TUMBY BAY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT BY AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'Ian G McDonald', with a stylized flourish at the end.

Ian G McDonald FCA

Dated this 28 day of August 2014