



Yorke Peninsula Council

NOTICE OF MEETING

Notice is hereby given that the next ordinary meeting of Council's

AUDIT COMMITTEE

will be held on Monday 27th of October 2014
in the Minlaton Council Chamber,
57 Main Street, Minlaton commencing at 2pm

David Harding
DIRECTOR CORPORATE AND
COMMUNITY SERVICES

A G E N D A

ITEM 1 YORKE PENINSULA COUNCIL – AUDIT COMMITTEE

- 1.1 Welcome by Chairperson
- 1.2 Present
- 1.3 Apologies/Leave of Absence
- 1.4 Minutes of previous meeting – for confirmation:
Audit Committee meeting held on Tuesday 16th September 2014.
- 1.5 Questions without Notice

1.6 Conflict of Interest

CONFLICT OF INTEREST

Members are reminded of the requirements for disclosure by Members of direct or indirect pecuniary benefit or detriment and non-pecuniary benefit or detriment in accordance with Section 73 of the Local Government Act in items listed for consideration on the Agenda. Section 74 of the Local Government Act 1999 requires that Members declare any interest and provide full and accurate details of the relevant interest to the Council prior to consideration of that item on the Agenda.

Each Member of a Committee has a duty to vote at all meetings unless excepted by legislation.

The major exception being where a Member has a conflict of interest.

ITEM 2 REPORTS

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|---|-------------|
| 1. Updated Audit Committee Work Plan | Pages 3-6 |
| 2. Internal Audit Activity Report | Pages 7-25 |
| 3. External Audit Update (Verbal Update - Jim Keogh) | |
| 4. 2013/2014 Audited Financial Statements | Pages 26-71 |
| 5. Asset Management Update (Verbal Update – Michael McCauley) | |

ITEM 3 GENERAL BUSINESS

ITEM 4 NEXT MEETING

ITEM 5 CLOSURE

DIRECTOR CORPORATE AND COMMUNITY SERVICES

1. UPDATED AUDIT COMMITTEE WORK PLAN 2014 (File Ref: 9.14.1.6)

INTRODUCTION

To consider the updated 2014 Audit Committee Work Plan.

RECOMMENDATION

That the Audit Committee endorse the updated 2014 Audit Committee Work Plan.

COMMENT

The Audit Committee Work Plan Draft endorsed by the Audit Committee at its last meeting held 16th September 2014 has been updated to reflect progress to date.

A detailed update in regard to the Internal Controls project will be provided at the December 2014 Audit Committee meeting and has therefore been removed from the objectives for the October 2014 meeting.

Due to Council elections and the current council being in caretaker mode, the first quarter budget review has been delayed for presentation to the December Audit Committee and December Council meeting.

As stated in clause 2 of the Audit Committee Terms of Reference, 23 February 2010, the objective of the Audit Committee is to assist the Council in the conduct of its responsibilities for the management of risk, related to financial reporting and audit initiatives, the internal control system and the audit functions and to act as a source of advice to Council and Chief Executive Officer in relation to these matters.

The Committee will:

- enhance the communication between the external auditor and the Council;
- assist the management of financial and other risks to ensure the protection of Council assets;
- monitor the effectiveness of audit and reviewing functions and;
- enhance the integrity of the financial reporting of the Council.

The Terms of Reference are to be read in conjunction with the Chapter 8 of the Local Government Act 1999.

The adoption, and constant review, of an Audit Committee Work Plan assists in ensuring the objectives of the Audit Committee are achieved.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Audit Committee Terms of Reference

Local Government Act 1999, Chapter 8.

FINANCIAL AND RISK MANAGEMENT CONSIDERATIONS

The orderly and timely review of Council's major financial timetable and reports, internal audit activities and financial reports by the Audit Committee strengthens the credibility of the completed work and reduces financial risk to Council.

**YORKE PENINSULA COUNCIL AUDIT COMMITTEE
2014 WORK PLAN**

| Meeting | Item | Comments |
|--|--|--|
| <p>Tuesday 11th March 2014</p> <p>Minlaton Council Chamber at 3pm</p> | <ul style="list-style-type: none"> • Approve new Audit Committee Work Plan. • Interim External Audit Date. • Internal Audit Activity Report. • Internal Controls Project Update. • Review Final Audit Letter. • Risk Management Update. • Endorse 2013/2014 – 2022/2023 Long Term Financial Plan. • 2014/2015 Budget Timetable. • 2014/2015 Capital Budget Update. • Second Quarter 13/14 Budget Review. • Asset Management Update. • EDRMS System Update. | <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> |
| <p>Tuesday 13th May 2014</p> <p>Minlaton Council Chamber at 3pm</p> | <ul style="list-style-type: none"> • Review draft Annual Business Plan. • 2014/2015 Budget Update. • Recommendation to Council regarding 3rd Quarter Budget Review Update. • LTFP Update. • Internal Audit Activity Report. • Internal Controls Project Update. • Update from Independent Project Manager for Transport Infrastructure Condition Assessment Project • Asset Management Update. • Risk Management Update. • Review Rates Options 2013-2014 | <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> |
| <p>Tuesday 24th June 2014</p> <p>Minlaton Council Chamber at 3pm</p> | <ul style="list-style-type: none"> • Endorse Annual Business Plan & 2014/2015 Budget. • Interim External Audit Visit Update • LTFP Update. • Review Data from Transport Infrastructure Condition Assessment Project • Internal Audit Activity Report. • Internal Controls Project Update. • Update from Independent Project Manager for Transport Infrastructure Condition Assessment Project • Asset Management Update. • Risk Management Update. | <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> |

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| | | |
| <p>Tuesday 16th September 2014</p> <p>Minlaton Council Chamber at 3pm</p> | <ul style="list-style-type: none"> • LTFP Update. • Internal Audit Activity Report. • Internal Controls Project Update. • Approve FY15 Internal Audit Plan. • Review 2013-2014 Financial Statements • Review Transportation Infrastructure Revaluations. • EDRMS System Update. • Asset Management Update. • Risk Management Update. | <p>Postponed Completed Completed Completed in June Completed</p> <p>Completed</p> <p>Completed Completed Completed</p> |
| <p>Monday 27th October 2014</p> <p>Minlaton Council Chamber at 2pm</p> | <ul style="list-style-type: none"> • Recommendation to Council regarding 2013/2014 Financial Statements. • Recommendation to Council regarding First Quarter 14/15 Budget Review. • Asset Management Update. • Risk Management Update. • Internal Audit Activity Report. • Internal Controls Project Update. | <p>Delayed until December meeting</p> <p>No update</p> <p>Full review scheduled for December</p> |
| <p>Tuesday 2nd December 2014</p> <p>Minlaton Council Chamber at 3pm</p> | <ul style="list-style-type: none"> • Receive Final Financial Statements and Auditors Report to Council • Endorse June 2014 Budget Review • First Quarter 14/15 Budget Review • Review 2014 Audit Committee Work Plan • Consider 2015 Audit Committee Work Plan Draft • LTFP Update. • Asset Management Update. • Risk Management Update. • Internal Audit Activity Report. • Internal Controls Project Update. | |

As required:

Policy Reviews

Asset Management Plan Endorsements

BUSINESS IMPROVEMENT OFFICER

2. INTERNAL AUDIT ACTIVITY REPORT

(File Ref: 9.14.1.6)

INTRODUCTION

The Business Improvement Officer presents an update on recent Internal Audit Activity.

RECOMMENDATION

That the report be received.

COMMENT

The objective of the Yorke Peninsula Council's ("Council") internal audit function is to enhance business performance by recommending improvements in process effectiveness, efficiency and economy.

This report provides an update on the implementation of proposed actions resulting from:

- Internal audit activities;
- Internal controls project; and
- External audit activities.

The latest status information has been provided by the officers responsible for the implementation.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 – Section 125 – Internal Control Policies
Council's Internal Audit Activity – Framework

FINANCIAL AND RISK MANAGEMENT CONSIDERATIONS

Internal audits will assist in the management of Council's financial and operational risks.

Internal Audit Activity Report (Sep 14 – Oct 14)

1. INTERNAL AUDIT PLAN

The following table highlights the status of audit projects:

| No. | Project | Scope Overview | Project Status |
|-----|--|---|---|
| 1 | Attractive Asset Review | Attractive assets to the Council include items such as mobile phones, laptops and artwork. This audit will focus on the processes to manage and secure attractive assets (particularly artworks) acquired by the Council. | Project Completed |
| 2 | Financial Management – Account Receivable | A review of key accounts receivable controls including receipting, banking, debtor follow up processes and general ledger reconciliations. | Scope Document Completed |
| 3 | Post Implementation Review - Asset System | A new asset management system is budgeted for the 2014 financial year; this review will be an assessment of the effectiveness of the implementation of the new system against the outlined objectives of the project. | Not started |
| 4 | CSR Operational Review | A review to assess the processes relating to the customer service request (“CSR”) system, including allocation of jobs, follow up, completion / service levels and reporting to Council. | Not started |
| 5 | WHS Legislation | To meet requirements of the Work, Health and Safety (WHS) Act 2012, a WHS project will be undertaken each year. | Draft Scope Document Completed |
| 6 | Petty Cash and Till Floats | Regular spot check of petty cash and till floats. The objective is to ensure that staff with custodian of till floats and petty cash floats are aware of their responsibilities and are discharging those responsibilities efficiently and effectively. | Project Completed |
| 7 | Council Direct Managed Caravan Park Spot Audits | Unannounced visit to Caravan Parks to confirm that utilised sites were correctly recorded in the online Reservation Management System (“RMS”), general maintenance and cleanliness of the parks and all WHS matters were addressed. | Project Completed Final report included in Attachment C |

| No. | Project | Scope Overview | Project Status |
|-----|--|---|----------------|
| 8 | Independent verification of control self-assessment | Undertake annual random verification of staff's self-assessment ratings against the identified controls. (Controltrack) | Not started |

2. MANAGEMENT REQUESTS

Internal Audit function has attended to the following Management requests:

| Request | Requestor | Audit Scope / Objective | Project Status |
|--|-------------------------------|--|--------------------------|
| Bush Camping Review | Director Development Services | Audit of the key bush camping permit controls to determine areas for improvement. The review was limited to reviewing the current processes for Council staff and the local businesses that issue permits and collect fees on behalf of Council. | Project Completed |
| Financial Management – Payroll (carry forward from 13/14) | | Audit of the procedures and internal controls relating to the fortnightly processing of the payroll. Processes include new payroll additions, terminations, pay rate changes, payroll changes and deductions. | Project Completed |

3. IMPLEMENTATION OF AGREED ACTIONS (INTERNAL CONTROLS PROJECT, INTERNAL AUDIT AND EXTERNAL AUDIT)

An update on the implementation of proposed actions resulting from the following activities is provided in **Attachment A**:

- Internal controls project;
- Internal audits; and
- External audit.

The latest status information has been provided by the officers responsible for the implementation.



Implementation of Agreed Actions

This report provides an update on the implementation of proposed actions resulting from:

1. Internal audit activities;
2. Internal controls project; and
3. External audit activities.

The latest status and comment information has been provided by the officers responsible for the implementation.

1. Internal Audit Activities

Water Recovery Charges Review – June 2013

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--------------------------------|---|---------------------------------------|----------|------------------|-------------|--|
| 1. Usage Invoicing Spreadsheet | An independent review of the Water Supply Invoicing spreadsheets will be performed by Internal Audit after each roll over to ensure completeness and accuracy of the process. | Business Improvement Officer and DCCS | 1/03/14 | N/A | In Progress | New processes have been developed and implemented for 1st quarter 2014/15. |

IT User Access Review – July 2013

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|---|------------------------------|----------|------------------|------------------------------|---|
| 1. IT Security Policy and Procedure & User Guidelines | Agreed with recommendation: <ul style="list-style-type: none"> Develop a set of basic internal IT procedures Review and update the Internet and Email Policy and Guidelines for Computer Network Use to ensure they reflect current practices and the new procedures to be developed. | Manager Information Services | 30/08/13 | 31/12/14 | In Progress | These requirements are part of the set of current projects to review and overhaul the IT policies and procedures. Draft IT policy has been reviewed by the Governance Officer and is on track to be implemented by end Dec 2014. |
| 4. Network Administrator Access | <ol style="list-style-type: none"> Administrator users (including contractors) are provided with an individual administrator account. As part of the upgrade to Active Directory in late 2013, IT will consider changing generic Administrator password, after attempting to identify services that are running using this account. | Manager Information Services | 30/08/13 | 30/06/15 | 1.Completed 2.In Progress | Administrator password change will be included as part of the active directory upgrade project. A contractor has now been engaged. Actual completion may be 12 months away. |

Accountability and Disclosure Audit – October 2013

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|---|---------------------|----------|------------------|-------------|---|
| 1. Council reviews its Purchase of Goods and Services Policy | <p>As highlighted as part of the Internal Controls Program, a project team will be initiated to address issues relating to procurement and contract management including reviewing and drafting policy, procedures and work flow diagrams.</p> <p>All procurement processes need to be addressed by the project team including:</p> <ul style="list-style-type: none"> ▪ general purchasing ▪ tendering and suppliers ▪ contract management. | Governance Officer | 30/06/15 | | In Progress | <p>Refer to comments under the Purchasing Review performed in February 2014 below.</p> <p>This action will be merged and reported with Finding 1 - Procurement Review in the next Implementation of Agreed Actions report.</p> |
| 2. Give consideration of a central records management system that will also capturing emails to and from Elected Members | A centralised electronic records management system will be considered as part of the FY15 budget. | CEO | 30/06/15 | 31/12/15 | In Progress | <p>The IT Manager has commenced investigations of potential records management systems and a preferred option has been selected.</p> <p>Expenditure for the project was requested in the FY15 budget, however due to competing priorities the Elected Body have decided to delay this project until the FY16 budget</p> <p>This is a large IT project and requires a significant expense.</p> |

Procurement, Part 1 Purchasing – February 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|--|----------------------------|----------|------------------|-------------|--|
| 1. Purchase of Goods and Services Policy Risk Level High | A Project Team to address procurement issues has been established and the project will commence in March 2014. Draft procurement policies have been sought from the LGA and will be implemented as necessary. | Governance Officer | 30/06/15 | 30/09/14 | In Progress | A Project Team was assembled to review procurement processes across Council. The project team has developed flowcharts, templates and checklists to ensure that procurement and tendering processes are managed consistently across Council. The Audit Committee considered the new draft Procurement Policy at the September 2014 meeting, this draft policy is now out for staff consultation. The Audit Committee also approved participation in the Regional Procurement Roadmap Program at this meeting. |
| 2. Outstanding Purchase Orders Risk Level Low | A review process will be initiated at least twice a year and those orders no longer required are followed up and cancelled. | Manager Financial Services | 30/06/14 | | Completed | The Accounts Payable Officer has added the twice yearly review process to the internal schedule of activities. First review was completed in Aug/Sept 2014. No major issues identified. Next review will occur early 2015. |

Leased Caravan Parks Review – March 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|--|-------------------------|----------|------------------|--------------|--|
| 1. Minlaton Caravan Park Lease Agreement Risk Level Moderate | Management will review and renegotiate the Minlaton Caravan Park lease agreement in June 2015. Current known issues will be considered and addressed at that time. | DC&CS | 30/06/15 | | Future Dated | N/A |
| 2. Lack of consistency across Caravan Park lease agreements Risk Level Low | The current lease spreadsheet will be incorporated into the SharePoint application to ensure automation of key dates etc. | Property Tenure Officer | 30/09/14 | | In Progress | SharePoint is expected to be operational by end of 2014. |

Fuel Management Review – March 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|--|-------------------------------------|----------------------|------------------|----------------------------------|--|
| 1. Fuel Sheets Risk Level High | 1. Agreed, a standard fuel sheet template will be developed (if it is considered that the current system will not be overhauled with an automated system). 2. Agreed the Director Corporate & Community Services will source system information and costs to be considered by CMT | 1. Financial Accountant 2. DC&CS | 31/12/14 30/09/14 | | 1. In Progress 2. In Progress | 1. IT has commenced drafting a standard fuel sheet if an automated system is not considered an option. This is not in use yet, as there are a number of factors that need to be addressed (i.e. that there are obviously differing vehicles and machinery at each depot). 2. A quote has been sourced and reviewed. Alternate options are now being considered, report to CMT is being drafted. |
| 3. Fuel reconciliation spreadsheet Risk Level Moderate | 1. The fuel reconciliation spreadsheet will be saved in a secure location on the network with limited access. Where possible formulas and linkages will be locked with a password. 2. The Manager Financial Services to formally review the fuel reconciliation spreadsheet each month and results, major discrepancies, be reported to the CMT | 1. Financial Accountant 2. DC&CS | 31/12/14 30/06/14 | | 1. Completed 2. In Progress | 1. The formulas (where appropriate) in the fuel reconciliation spreadsheet have been locked down to secure access to the Financial Accountant only. 2. Major discrepancies reported, completion is dependent upon above actions. |
| 3. Fuel dip reading Risk Level Moderate | An independent fuel dip reading is performed on a six monthly basis by the Financial Accountant to verify the inventory. | Financial Accountant | 30/09/14 | | In Progress | First reading is scheduled for November 2014 |

Bush Camping Review – July 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|---|---|--|------------------|--------------|---|
| 1. Timing of obtaining permits Risk Level High | 1. Agreed, a policy that incorporates key points from the audit findings will be developed, including a communication plan to inform staff and the community. 2. Signage to be reviewed, costs identified and a budget submission is prepared for 2015/16 Annual Business Plan and budget. 3. Agreed, Council to contact local businesses in the known 'gap areas' (e.g. Pt Wakefield, Ardrossan, Stansbury, Pt Vincent, Pt Victoria etc.). 4. Further investigation to be undertaken to identify the costs, risks and benefits of alternate methods and a report prepared for Council's consideration. 5. Once new processes are implemented ensure that the Ranger educates and makes the bush camping public aware of new processes and change to culture. | 1. Manager Developmt Services 2. Operations Manager 3. Manager Developmt Services 4. Manager Developmt Services 5. Manager Developmt Services | 31/03/15 28/02/15 30/09/14 31/12/14 31/03/15 | | Future Dated | It was agreed at the Sept 2014 Audit Committee that the bush camping recommendations would be taken to Council for endorsement. This is scheduled for the new council. <i>Comment applies to all 'Bush Camping' actions.</i> |
| 2. Charging, receipt, banking and reconciliation of permit fees Risk Level High | 1. Bush Camping Permit procedure to be developed to reflect current expectations and communicated to staff, Rangers, and local business who are issuing permits on behalf of Council. At a minimum the document should outline the: <ul style="list-style-type: none"> ▪ Timeliness of collection and banking processes ▪ Standard receipting procedures, including reconciliation ▪ Security considerations when collecting and counting money ▪ Supporting documentation requirements ▪ Process for notifying Council when the identified businesses change ownership. | Manager Development Services | 31/12/14 31/12/14 31/03/15 | | Future Dated | N/A |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|--|------------------------------|----------|------------------|--------------|---|
| | <p>2. If it is considered too onerous for businesses to deposit fees in a timely manner, it should be added to the Ranger's responsibilities to collect shop permit fees, including reconciliation and issuing receipts at the premises.</p> <p>3. Bush camping fees are considered as part of the 2015 annual review of fees and charges.</p> | | | | | |
| <p>3. Signage (relating to camping locations, permit requirements & site spaces)</p> <p>Risk Level Moderate</p> | Consider reviewing the camp site space allocations, with the aim to clearly delineate all camp sites with permanent markings. | Operations Manager | 28/02/15 | | Future Dated | N/A |
| <p>4. Information collected on permits</p> <p>Risk Level Moderate</p> | Consider suitable technology (e.g. hand held palm pilot, tablets) for the Rangers to document and issue bush camping permits. Investigate to identify the costs, risks and benefits and prepare a report for Council's consideration. | Manager Development Services | 31/12/14 | | Future Dated | N/A |
| <p>5. Obtaining permits – inconsistent information</p> <p>Risk Level Low</p> | Review information on the Council and Visitor Information Websites and update appropriately to reflect the correct locations where permits can be obtained. | Corporate Services Officer | 30/09/14 | | In Progress | Visitor Information Centre review and update their website on a regular basis. Work still to be completed on Council's website. |
| <p>6. Review of Ranger responsibilities</p> <p>Risk Level Low</p> | Review the role of the Rangers so that standardised duties are undertaken and work is allocated by geographic area. Also consider resource requirements of Rangers, particularly for weekend and peak times | Manager Development Services | 31/03/15 | | Future Dated | N/A |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|--|--|--------------------------|------------------|--------------|----------|
| 7. Further opportunities for improvement Risk Level Low | 1. Review the requirement of nominating a specific site and consider changing to a permit being applicable for any of the bush camping sites. 2. Review the rationale of non-fee and fee payable sites and if appropriate, set fees for all fifteen sites as part of the annual review of fees and charges. | 1. Manager Developmt Services 2. Corporate Services Officer | 28/02/15 31/03/15 | | Future Dated | N/A |

Payroll Review – July 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|--|-------------------------|----------|------------------|--------------|---|
| 1. Leave Balances and Bona Fide Reports Risk Level High | Managers receive a quarterly employee bona fide report that identifies all employees being cost to their department's budget and leave balances. | Manager Org Development | 30/09/14 | | In Progress | Employee bona fide reports are almost complete. System access issues now being resolved. Expect this to be completed by end October 2014. |
| 1. Separation Processes Risk Level Moderate | HR develops and implements the Employee Exit Checklist and processes. | Manager Org Development | 30/09/14 | | Completed | Exit checklist and processes have been completed and implemented. |
| 2. Payroll Procedures Risk Level Low | Payroll procedures reviewed and updated to reflect current practices. | Payroll Officer | 30/06/15 | | Future Dated | N/A |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|---|-------------------------|----------|------------------|--------------|----------|
| 3. Electronic Timesheets and Leave Requests Risk Level Low | Consideration or research into the Authority capabilities to automate / streamline the timesheet and leave request process. | Manager Org Development | 30/06/15 | | Future Dated | N/A |

Asset Management Maturity Audit – March 2014

Undertaken by Jeff Rodda & Associates (External Consulting Firm)

Please note: All road infrastructure will be addressed first. The aim is to complete all actions for the road in infrastructure category by 30 June 2015. Actions will then be removed from this list. Internal Audit will complete a follow up review of Asset Management in FY17 to ensure all asset categories have been completed in accordance with the agreed actions.

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|---|---------------------|----------|------------------|--------------|---|
| 1. Strategic Longer Term Planning Risk Level Low | Ensure future plans indicate likely service level and risk trends resulting from adopted LTFP | DC&CS | 30/09/15 | | Future Dated | Currently completed as best as possible, however with limited data. New AM system and the data available will improve LTFP. |
| | Consider including in the next update of the Strategic Plan commentary on the future outlook for infrastructure including any challenges/risks & ensure that Strategic Plan performance measures are aligned with the AMP service levels utilising state of the assets reporting. | Governance Officer | 31/12/15 | | Future Dated | Strategic Plan will be updated after the Council elections and will consider wording in relation to the Asset Management. |
| 2. Annual Budget Risk Level Low | Include commentary in the budget to provide a statement of whether the budget will achieve the Strategic Plan objectives and sustain current service levels | DC&CS | TBA | | | |
| | Develop ongoing councillor and community engagement strategy on affordable service levels based on current LTFP | DA&I | TBA | | | |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|--|------------------------------|----------|------------------|--------------|--|
| | Ensure that the depreciation projections in the LTFP are related to forecast movements in the asset base. To do this a reconciliation of the movements in Property, Plant and Equipment values is needed within the forecast | DC&CS | TBA | | | |
| 3. Annual Report Risk Level Low | Include "state of the assets" reporting in annual report (& AMPs) to show service level trends e.g. % or assets at Poor/Fair/Good condition, function and capacity. This will provide an annual snapshot of service level trends. | Business Improvement Officer | 30/11/15 | | Future Dated | This will be included in the Annual Report for the FY15 financial period, once the Asset Management System (AMS) has been in production for a full year. |
| 4. AM Policy Risk Level High | <p>Implement an Asset Management Policy. When policy has been developed, ensure it is communicated to all key stakeholders including a briefing to Council regarding their roles and responsibilities. The policy should include (but not limited to) the following:</p> <ul style="list-style-type: none"> - Document methodology for determining asset lives, useful lives, conditions and financial reporting in an asset accounting policy as per Australian Infrastructure Management Guidelines - Develop business processes and documentation to ensure audit trail for financial transactions, asset register updates and annual reporting. This should be done as part of the CRV and new Asset Management System implementation process - Document an Asset Management Improvement Program. Annually review asset management maturity & conduct annual review of policy implementation by the Asset Management Team and Audit Committee - Training requirements for staff - Responsibilities for staff (i.e. Finance and Asset Management staff) - Reporting mechanisms and timeframes - Linkages to risk | Asset Manager | 30/06/15 | | Future Dated | |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|---|---------------------|----------|------------------|--------------|--|
| | - Continuous improvement | | | | | |
| 5. AM Strategy Risk Level Extreme | Implement an Asset Management Strategy (using templates provided). Strategy must identify 'critical' assets and includes risk management strategies for these assets. Strategy should also include specific actions to improve asset management capabilities, projected resource requirements & timeframes. | Asset Manager | 30/06/15 | | Future Dated | |
| 6. AM Plans Risk Level High | Update the Asset Management Plans (Optimal Scenario) and what will be done with available funding (Balanced Scenario) & complete risk management plans for the Balanced Scenario. | Asset Manager | 30/06/15 | | Future Dated | AM Plans will be automated as part of the AMS implementation |
| | Complete service levels for AMPs using state of the assets reporting (condition / function / capacity) as per example provided by the consultants & ensure that service level targets for the next 10 years for each AMP are achievable and it is clear what Council can and cannot do within the budget constraints of the LTFP. | Asset Manager | 30/06/15 | | In Progress | AM Plans will be automated as part of the AMS implementation. The data collection and analysis process has commenced with road categories. |
| 7. Governance and Management Risk Level High | Identify if the Asset Management Team will continue, if so adopt charter for the Asset Management Team. The focus of the group should be on the implementation of Asset Management Improvement Program and to report risk and service level trends | Asset Manager | 31/12/14 | | Future Dated | Asset Manager to discuss the proposition (benefits and relevance) of continuing with the Asset Management Team with CMT. |
| | Ensure whole of life costing is used for all capital upgrade/expansion projects with a feedback loop into the LTFP. | Asset Manager | 30/06/15 | | Future Dated | |
| | Set up a formal process for corporate risk reporting for any residual high risks from AMPs to CMT, Council and Audit committee | Risk Administrator | 30/06/14 | | Completed | Organisational risk management is underway. Risk workshop has been undertaken with CMT and risks identified will be reported back through to Audit Committee and Council at least quarterly. |
| 8. Levels of Service | Develop additional AMP scenarios as required to align with the LTFP and show service outcomes | Asset Manager | 30/06/15 | | Future Dated | |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|--|--|---------------------|----------|------------------|-------------|---|
| <div>Risk Level</div> <div>High</div> | and risk consequences of LTFP resourcing levels. Aim is to ensure the community service levels and targets in AMPs align with the SP and annual reporting | | | | | |
| 9. Data and Systems <div>Risk Level</div> <div>High</div> | Provide a data improvement program as part of the asset management improvement program based on benefit/cost/risk. This should be done in conjunction with the development of the Asset Accounting Policy and Implementation of both the Authority CRV module and new Asset Management System. This process should determine the level of data required to meet both financial and asset management requirements | Asset Manager | 30/06/15 | | In Progress | Aligned to the implementation of the Conquest system. Road category completed |
| | Ensure that the current register is kept up to date and asset condition is monitored & annually updated with 'useful lives' and reported as part of the annual review of the works program. Includes annual update of unit rates (replacement and renewal cost rates) based on the completed works program | Asset Manager | 30/06/15 | | In Progress | Aligned to the implementation of the Conquest system. Road category completed |

Attractive Assets Review – August 2014

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|---|----------------------------|----------|------------------|--------------|----------|
| 1. Acquisition and disposal processes of attractive assets Risk Level High | A standard process for the acquisition and disposal of assets is developed and deployed internally with training for staff | Manager Financial Services | 30/06/15 | | Future Dated | |
| | As a checking mechanism, the Accounts Payable Officer to check whether newly acquired assets have been captured within the correct registers at the time of paying the invoice | Manager Financial Services | 30/06/15 | | Future Dated | |
| 2. Recording of attractive assets Risk Level Moderate | Incorporate all registers into a centrally managed register with plans to move this into the new Asset Management Software (Conquest) in the future. Focus on just those asset classes that are not already (or soon to be) loaded into Conquest. | Manager Financial Services | 30/06/15 | | Future Dated | |
| | All assets meeting the threshold requirements are also immediately transferred into the Attractive Asset register, thereby bringing this register up to date | Manager Financial Services | 30/06/15 | | Future Dated | |
| | All artworks are immediately recorded into the F&F asset register and also transferred into the Attractive Asset Register if they meet the threshold requirements. | Manager Financial Services | 31/12/14 | | Future Dated | |
| | Regular stocktakes of all categories of assets are planned and undertaken at least once every two years (some such as plant and machinery should be completed annually) | Manager Financial Services | 31/12/15 | | Future Dated | |
| | Standard forms to assist the stocktakes are developed | Manager Financial Services | 30/09/15 | | Future Dated | |
| | | | | | | |
| 3. Asset Management and Accounting Policy Risk Level Moderate | Council's current Asset Management and Accounting Policy is reviewed and updated taking into account the findings of this review | Manager Financial Services | 30/06/15 | | Future Dated | |

| Finding Name | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|---|--|---|----------|------------------|--------|----------|
| 4. Methodologies for tagging and monitoring the location of attractive assets | It is recommended that Council consider some marking or stamp to identify Council artworks | Executive Assistant Director Corporate & Community Services | 30/06/15 | | | |
| <div>Risk Level</div> <div>Moderate</div> | Council investigates purchasing equipment required to 'tag' assets (e.g. bar code creation and readers) and if deemed appropriate, plan for resources to undertake tagging of all assets throughout Council. | IT Manager | 31/12/15 | | | |

2. Internal Controls Project (Various Workshop Dates Held in Early 2014)

| Risk Ref | Agreed Action | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|----------|--|----------------------|----------|------------------|-------------|--|
| 2.1.8 | Investigate other resources in regards to existence of accounting policies, including other Councils and external audit. | Financial Accountant | 31/08/13 | 31/03/15 | In Progress | <p>The revised date for this action has been extended until March 2015, this to allow time for the Finance department to collate all procedures into one document (or folder) to create a whole of Accounting and Finance Manual (rather than just individually).</p> <p>Work has commenced on this manual for majority of finance processes have been completed, however the Accounts Receivable and Payroll areas still need significant work and then a final way to present and manual needs to be decided upon.</p> <p>The Financial Accountant will be responsible for:</p> <ul style="list-style-type: none"> - Reviewing other Councils using the Authority application and their accounting and finance procedures - Collating the manual |

3. External Audit Activities

March 2013 Half Year Management Letter

| Finding Name | External Audit Finding | Responsible Officer | Due Date | Revised Due Date | Status | Comments |
|-------------------------|---|---------------------|----------|------------------|-------------|---|
| Asset Management Plans | Council's Transport Asset Management Plan will be updated to reflect the results of the condition inspection and revaluation of assets. Once the Asset Management Plan has been updated, recommend Council updates the Long Term Financial Plan (LTFP) with updated capital works and depreciation forecasts. | Manager Assets | 31/12/13 | 30/06/14 | In progress | Please refer to Asset Management Maturity Audit actions listed above. |
| Asset Service Standards | Council should undertake a review and documentation of required service standards so that the Administration can plan for future capital works programs in the LTFP and annual budgets. | Manager Assets | 30/06/14 | 30/06/14 | In progress | Please refer to Asset Management Maturity Audit actions listed above. |

DIRECTOR CORPORATE AND COMMUNITY SERVICES

4. COUNCIL'S ANNUAL FINANCIAL STATEMENTS

(File Ref: 9.14.1.6)

INTRODUCTION

To consider acceptance of Council's Annual Financial Statements for 2013/2014.

RECOMMENDATION

That Audit Committee recommend to Council that the audited Annual Financial Statements for the year ended 30 June 2014 be adopted and that:

1. The Chief Executive Officer and Mayor be authorised to certify the accounts, and
2. The Chief Executive Officer and the Presiding Member of the Audit Committee sign the Auditor Independence Declaration, and
3. The Chief Executive Officer and the Director Corporate and Community Services be authorised to sign the Management Representation Letter to the Auditors

COMMENT

Council's Annual Financial Statements have been prepared by Council staff and reviewed by Council's auditors. A copy of the draft statements is attached, together with the Management Representation letter.

Dean Newbery & Partners are preparing their final report which, we have been advised, will be issued without qualification in any area.

The financial statements have been prepared using Model Financial Statement templates and comply with Australia Accounting Standards the Local Government Act and Regulations.

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Local Government Act 1999 – Section 127 – Financial Statements.

Local Government (Financial Management) Regulations 2011 – Regulations 14 and 22 (3)
(a)

FINANCIAL AND RISK MANAGEMENT CONSIDERATIONS

The Annual Financial Statements form a critical part of Council's public accountability and performance reporting, and are required to meet a number of legislative requirements.

The statements must be adopted by Council and presented to the Minister on or before 30 November, 2014.

YORKE PENINSULA COUNCIL

General Purpose Financial Reports for the year ended 30 June 2014

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YORKE PENINSULA COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| INCOME | | | |
| Rates | 2 | 17,940 | 16,430 |
| Statutory charges | 2 | 407 | 379 |
| User charges | 2 | 2,787 | 2,861 |
| Grants, subsidies and contributions | 2 | 2,705 | 3,397 |
| Investment income | 2 | 166 | 251 |
| Reimbursements | 2 | 660 | 570 |
| Other income | 2 | 296 | 212 |
| Total Income | | 24,961 | 24,100 |
| EXPENSES | | | |
| Employee costs | 3 | 7,422 | 7,140 |
| Materials, contracts & other expenses | 3 | 12,279 | 11,152 |
| Depreciation, amortisation & impairment | 3 | 8,438 | 8,827 |
| Finance costs | 3 | 240 | 303 |
| Total Expenses | | 28,379 | 27,422 |
| OPERATING SURPLUS / (DEFICIT) | | (3,418) | (3,322) |
| Asset disposal & fair value adjustments | 4 | 23 | 29 |
| Amounts received specifically for new or upgraded assets | 2 | 946 | 594 |
| Physical resources received free of charge | 2 | 39 | 13 |
| NET SURPLUS / (DEFICIT) | | (2,410) | (2,686) |
| transferred to Equity Statement | | | |
| <i>Amounts which will not be reclassified subsequently to operating result</i> | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | 9 | 49,401 | 24,459 |
| Transfer to accumulated surplus on sale of revalued infrastructure, property, plant & equipment | | - | (14,431) |
| Total Other Comprehensive Income | | 49,401 | 10,028 |
| TOTAL COMPREHENSIVE INCOME | | 46,991 | 7,342 |

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

YORKE PENINSULA COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 2,607 | 2,961 |
| Trade & other receivables | 5 | 1,141 | 1,154 |
| Inventories | 5 | 723 | 887 |
| Total Current Assets | | 4,471 | 5,002 |
| Non-current Assets | | | |
| Financial assets | 6 | 438 | 467 |
| Infrastructure, property, plant & equipment | 7 | 323,864 | 276,041 |
| Total Non-current Assets | | 324,302 | 276,508 |
| Total Assets | | 328,773 | 281,510 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other payables | 8 | 1,996 | 1,914 |
| Borrowings | 8 | 682 | 748 |
| Provisions | 8 | 1,434 | 857 |
| Total Current Liabilities | | 4,112 | 3,519 |
| Non-current Liabilities | | | |
| Borrowings | 8 | 1,590 | 2,237 |
| Provisions | 8 | 635 | 309 |
| Total Non-current Liabilities | | 2,225 | 2,546 |
| Total Liabilities | | 6,337 | 6,065 |
| NET ASSETS | | 322,436 | 275,445 |
| EQUITY | | | |
| Accumulated Surplus | | (3,388) | (1,055) |
| Asset Revaluation Reserves | 9 | 325,107 | 275,706 |
| Other Reserves | 9 | 717 | 794 |
| TOTAL EQUITY | | 322,436 | 275,445 |

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

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

| | Accumulated Surplus | Asset Revaluation Reserve | Other Reserves | Total Council Equity | TOTAL EQUITY |
|--|------------------------|---------------------------------|-------------------|-------------------------|-----------------|
| 2014 | No tes | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at end of previous reporting period | | (1,055) | 275,706 | 794 | 275,445 |
| Adjustment to give effect to changed accounting policies | | | | - | - |
| Restated opening balance | | (1,055) | 275,706 | 794 | 275,445 |
| Net Surplus / (Deficit) for Year | | (2,410) | | (2,410) | (2,410) |
| Other Comprehensive Income | | | | | |
| Gain on revaluation of infrastructure, property, plant & equipment | | | 49,401 | 49,401 | 49,401 |
| Transfers between reserves | | 77 | (77) | - | - |
| Balance at end of period | | (3,388) | 325,107 | 717 | 322,436 |
| | | | | | |
| 2013 | | | | | |
| Balance at end of previous reporting period | | (13,285) | 265,678 | 1,320 | 253,713 |
| Adjustment to give effect to changed accounting policies | | (41) | - | - | (41) |
| Restated opening balance | | (13,326) | 265,678 | 1,320 | 253,672 |
| Net Surplus / (Deficit) for Year | | (2,686) | | (2,686) | (2,686) |
| Other Comprehensive Income | | | | | |
| Changes in revaluation surplus - infrastructure, property, plant & equipment | | - | 24,459 | - | 24,459 |
| Transfer to accumulated surplus on sale of infrastructure, property, plant & equipment | | 14,431 | (14,431) | - | - |
| Transfers between reserves | | 526 | - | (526) | - |
| Balance at end of period | | (1,055) | 275,706 | 794 | 275,445 |

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

YORKE PENINSULA COUNCIL

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 | | 17,897 | 16,357 |
| Fees & other charges | | 439 | 410 |
| User charges | | 3,279 | 2,923 |
| Investment receipts | | 155 | 292 |
| Grants utilised for operating purposes | | 2,908 | 3,651 |
| Reimbursements | | 726 | 627 |
| Other revenues | | 390 | 212 |
| <u>Payments</u> | | | |
| Employee costs | | (7,006) | (7,103) |
| Materials, contracts & other expenses | | (12,182) | (12,473) |
| Finance payments | | (414) | (24) |
| Net Cash provided by (or used in) Operating Activities | 11 | 6,192 | 4,872 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| <u>Receipts</u> | | | |
| Amounts specifically for new or upgraded assets | | 946 | 594 |
| Sale of replaced assets | | 439 | 162 |
| Net disposal of investment securities | | - | 5 |
| Repayments of loans by community groups | | 53 | 56 |
| Repayments of loans by developers | | 6 | 8 |
| <u>Payments</u> | | | |
| Expenditure on renewal/replacement of assets | | (4,709) | (3,725) |
| Expenditure on new/upgraded assets | | (2,528) | (2,265) |
| Loans made to community groups | | (40) | |
| Net Cash provided by (or used in) Investing Activities | | (5,833) | (5,165) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| <u>Payments</u> | | | |
| Repayments of borrowings | | (713) | (963) |
| Net Cash provided by (or used in) Financing Activities | | (713) | (963) |
| Net Increase (Decrease) in cash held | | (354) | (1,256) |
| Cash & cash equivalents at beginning of period | 11 | 2,961 | 4,217 |
| Cash & cash equivalents at end of period | 11 | 2,607 | 2,961 |

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

YORKE PENINSULA COUNCIL

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). This is the first time council has used this method.

2 The Local Government Reporting Entity

Yorke Peninsula Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at 8 Elizabeth Street, Maitland. 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. Please note as from September 11, 2013, Council changed its name from the District Council of Yorke Peninsula to Yorke Peninsula Council.

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.

Yorke Peninsula Council

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 \$553,244 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$1,177,804; and in June 2013, again two quarters of the 2013/14 allocation: \$1,210,438.

In June 2014 these amounts in advance were adjusted by the Federal Government to reflect actual year of allocation. The total amount adjusted at 30 June 2014 was \$1,210,438.

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential.

6 Infrastructure, Property, Plant & Equipment

6.1 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.

Council no longer recognises Footpaths that have previously been classed as dolomite or tracks as these are not maintained and any expenses incurred are treated as operating costs.

Yorke Peninsula Council

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

Note 1 - Significant Accounting Policies (cont)

6.2 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 and Equipment | \$1,000 |
| Other Plant and Equipment | \$1,000 |
| Buildings – new constructions/extensions | \$5,000 |
| Park and Playground Furniture & Equipment | \$2,000 |
| Road Construction & Reconstruction | \$10,000 |
| Paving & Footpaths, Kerb & Gutter | \$2,000 |
| Drains & Culverts | \$5,000 |

6.3 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.

6.4 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. Residual values for Roads were introduced during the revaluation performed in 2013 by Gayler Engineering. This change in estimate resulted in a decrease in annual depreciation of approximately \$500,000 in the year of introduction.

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 | | Residual |
| Office Equipment | 5 to 10 years | 0% |
| Office Furniture | 5 to 20 years | 0% |
| Vehicles and Road-making Equip | 3 to 8 years | 20-40% |
| Other Plant & Equipment | 5 to 15 years | 15-40% |
| Building & Other Structures | | |
| Buildings – masonry | 50 to 100 years | 15%-40% |
| Buildings – other construction | 20 to 40 years | 15%-40% |
| Park Structures – masonry | 50 to 100 years | 15%-40% |
| Park Structures – other construction | 20 to 40 years | 10% |
| Playground equipment | 5 to 15 years | 0% |
| Benches, seats, etc | 10 to 20 years | 0% |
| Infrastructure | | |
| Roadworks – Earthworks | indefinite | |
| Sealed Roads – Surface | 15 to 30 years | 58% |
| Sealed Roads – Pavement | 20 to 80 years | 40%-49% |
| Unsealed Roads | 10 to 20 years | 23%-56% |

Yorke Peninsula Council

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

Note 1 - Significant Accounting Policies (cont)

| | | |
|----------------------------|-----------------|----|
| Paving & Footpaths | 10 to 70 years | 0% |
| Drains, Kerb & Gutter | 70 to 100 years | 0% |
| Culverts | 50 to 75 years | 0% |
| Flood Control Structures | 80 to 100 years | 0% |
| Reticulation Pipes – PVC | 50 to 60 years | 0% |
| Reticulation Pipes – other | 25 to 65 years | 0% |
| Pumps & Telemetry | 15 to 25 years | 0% |
| Other Assets | | |
| Reserve Furniture | 5 to 15 years | 0% |
| Artworks | indefinite | |

6.5 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 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.

6.6 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 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AIFRS.

Annual Leave has this year been disclosed under Provisions for the first time due to the new requirements under AASB 119. In previous years, Annual Leave has been disclosed under Trade & Other Payables. Comparative information has been amended for comparability purposes and this has resulted in no change in the comparative financial position or performance of the Council.

Yorke Peninsula Council

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

Note 1 - Significant Accounting Policies (cont)

8 Payables

8.1 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.

8.2 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.

9 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".

10 Employee Benefits

10.1 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

2.5% (2013, 2.75%)

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.

10.2 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.

11 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".

Yorke Peninsula Council

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

Note 1 - Significant Accounting Policies (cont)

12 Leases

Lease arrangements have been accounted for in accordance with 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.

13 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.

14 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.

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.

YORKE PENINSULA COUNCIL

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> | | 13,616 | 12,432 |
| Less: Mandatory rebates | | (104) | (92) |
| Less: Discretionary rebates, remissions & write offs | | (26) | (5) |
| | | <u>13,486</u> | <u>12,335</u> |
| <u>Other Rates</u> (including service charges) | | | |
| Natural Resource Management levy | | 724 | 704 |
| Waste collection | | 2,240 | 2,030 |
| Water supply | | 184 | 171 |
| Community wastewater management systems | | <u>1,238</u> | <u>1,118</u> |
| | | <u>4,386</u> | <u>4,023</u> |
| <u>Other Charges</u> | | | |
| Penalties for late payment | | 48 | 46 |
| Legal & other costs recovered | | <u>20</u> | <u>26</u> |
| | | <u>68</u> | <u>72</u> |
| | | <u>17,940</u> | <u>16,430</u> |
| STATUTORY CHARGES | | | |
| Development Act fees | | 223 | 196 |
| Town planning fees | | - | 8 |
| Health & Septic Tank Inspection fees | | 51 | 37 |
| Animal registration fees & fines | | 69 | 71 |
| Parking fines / expiation fees | | 8 | 9 |
| Other Registration Fees | | 18 | 14 |
| Sundry | | <u>38</u> | <u>44</u> |
| | | <u>407</u> | <u>379</u> |
| USER CHARGES | | | |
| Cemetery fees | | 25 | 26 |
| Commercial activity revenue (Other Commercial) | | 44 | 52 |
| Commercial activity revenue (Caravan Parks) | | 2,339 | 2,378 |
| Hall & equipment hire | | 36 | 45 |
| Boat Ramp Fees | | 127 | 136 |
| Refuse Disposal | | 49 | 45 |
| Water | | 99 | 99 |
| Sundry | | <u>68</u> | <u>80</u> |
| | | <u>2,787</u> | <u>2,861</u> |
| INVESTMENT INCOME | | | |
| Interest on investments | | | |
| Local Government Finance Authority | | 115 | 197 |
| Banks & other | | <u>51</u> | <u>54</u> |
| | | <u>166</u> | <u>251</u> |

YORKE PENINSULA COUNCIL

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

NOTE 2 - INCOME (continued)

| | Notes | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| REIMBURSEMENTS | | | |
| - for roadworks | | 9 | 27 |
| - for private works | | 1 | 1 |
| - by joint undertakings | | - | 3 |
| - other | | 650 | 539 |
| | | <u>660</u> | <u>570</u> |
| OTHER INCOME | | | |
| Sundry | | 296 | 212 |
| | | <u>296</u> | <u>212</u> |
| GRANTS, SUBSIDIES, CONTRIBUTIONS | | | |
| Amounts received specifically for new or upgraded assets | | 946 | 594 |
| Other grants, subsidies and contributions | | 2,705 | 2,186 |
| Individually significant item - additional grants commission payment | | - | 1,211 |
| | | <u>3,651</u> | <u>3,991</u> |
| <i>The functions to which these grants relate are shown in Note 2.</i> | | | |
| Sources of grants | | | |
| Commonwealth government | | 410 | 633 |
| State government | | 3,127 | 3,222 |
| Other | | 114 | 136 |
| | | <u>3,651</u> | <u>3,991</u> |
| Individually Significant Item | | | |
| Financial Assistance Grants | | - | 1,210 |

YORKE PENINSULA COUNCIL

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

NOTE 2 - INCOME (continued)

| | Notes | 2014 \$'000 | 2013 \$'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> | | - | 43 |
| <i>Less: expended during the current period from revenues recognised in previous reporting periods</i> | | | |
| <i>Heritage & Cultural Services</i> | | - | (43) |
| <i>Subtotal</i> | | - | (43) |
| <i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i> | | | |
| <i>Heritage & Cultural Services</i> | | 166 | - |
| <i>Subtotal</i> | | 166 | |
| <i>Unexpended at the close of this reporting period</i> | | 166 | |
| <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i> | | 166 | (43) |
| PHYSICAL RESOURCES RECEIVED FREE OF CHARGE | | | |
| Other Assets | | 39 | - |
| Stormwater Drainage | | - | 13 |
| TOTAL PHYSICAL RESOURCES RECEIVED | | 39 | 13 |

YORKE PENINSULA COUNCIL

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 | | 6,726 | 6,366 |
| Employee leave expense | | 618 | 565 |
| Superannuation - defined contribution plan contributions | 18 | 221 | 230 |
| Superannuation - defined benefit plan contributions | 18 | 436 | 373 |
| Workers' Compensation Insurance | | 293 | 326 |
| Other | | 118 | 111 |
| Less: Capitalised and distributed costs | | (990) | (831) |
| Total Operating Employee Costs | | 7,422 | 7,140 |
| Total Number of Employees | | 111 | 110 |
| <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 | | 17 | 17 |
| - Other services | | 14 | 6 |
| Elected members' expenses | | 330 | 316 |
| Election expenses | | 11 | - |
| Operating Lease Rentals - non-cancellable leases | 17 | | |
| - minimum lease payments | | 130 | 94 |
| Subtotal - Prescribed Expenses | | 502 | 433 |
| <u>Other Materials, Contracts & Expenses</u> | | | |
| Contractors | | 3,034 | 2,564 |
| Energy | | 670 | 723 |
| Water | | 435 | 632 |
| Insurance | | 584 | 528 |
| Legal Expenses | | 51 | 106 |
| Levies paid to government - NRM levy | | 724 | 704 |
| - Other Levies | | 49 | 50 |
| Parts, accessories & consumables | | 1,814 | 1,648 |
| Professional services | | 512 | 375 |
| Professional services - waste management | | 2,270 | 1,942 |
| Sundry | | 1,634 | 1,447 |
| Subtotal - Other Materials, Contracts & Expenses | | 11,777 | 10,719 |
| | | 12,279 | 11,152 |

YORKE PENINSULA COUNCIL

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 | | 2,050 | 1,948 |
| Transport Infrastructure | | 4,328 | 4,869 |
| Stormwater Drainage | | 112 | 106 |
| Plant & Equipment | | 970 | 1,016 |
| Furniture & Fittings | | 105 | 101 |
| CWMS Infrastructure | | 378 | 330 |
| Water Scheme Infrastructure | | 67 | 45 |
| Other Assets | | 428 | 412 |
| | | <u>8,438</u> | <u>8,827</u> |
| FINANCE COSTS | | | |
| Interest on overdraft and short-term drawdown | | 57 | 60 |
| Interest on Loans | | 183 | 243 |
| | | <u>240</u> | <u>303</u> |

YORKE PENINSULA COUNCIL

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 | | 439 | 163 |
| Less: Carrying amount of assets sold | | 416 | 134 |
| Gain (Loss) on disposal | | <u>23</u> | <u>29</u> |
| NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS | | | |
| | | <u>23</u> | <u>29</u> |

YORKE PENINSULA COUNCIL

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 | | 26 | 150 |
| Deposits at Call | | <u>2,581</u> | <u>2,811</u> |
| | | <u>2,607</u> | <u>2,961</u> |
| TRADE & OTHER RECEIVABLES | | | |
| Rates - General & Other | | 371 | 328 |
| Accrued Revenues | | 91 | 80 |
| Debtors - general | | 235 | 373 |
| GST Recoupment | | 169 | 72 |
| Prepayments | | 210 | 244 |
| Loans to community organisations | | 65 | 51 |
| Loans to Developers | | - | 6 |
| | | <u>1,141</u> | <u>1,154</u> |
| <i>Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13.</i> | | | |
| INVENTORIES | | | |
| Stores & Materials | | <u>723</u> | <u>887</u> |
| | | <u>723</u> | <u>887</u> |

Note 6 - NON-CURRENT ASSETS

| | Notes | 2014 \$'000 | 2013 \$'000 |
|----------------------------------|-------|----------------|----------------|
| FINANCIAL ASSETS | | | |
| Receivables | | | |
| Loans to community organisations | | <u>438</u> | <u>467</u> |
| TOTAL FINANCIAL ASSETS | | <u>438</u> | <u>467</u> |

YORKE PENINSULA COUNCIL

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

| | Fair Value Level | 2013 \$'000 | | | | 2014 \$'000 | | | |
|--|------------------|----------------|---------------|------------------|-----------------|----------------|---------------|------------------|-----------------|
| | | AT FAIR VALUE | AT COST | ACCUM DEP'N | CARRYING AMOUNT | AT FAIR VALUE | AT COST | ACCUM DEP'N | CARRYING AMOUNT |
| Land | 2 | 69,165 | - | - | 69,165 | 73,572 | - | - | 73,572 |
| Buildings & Other Structures | 2 | 5,230 | - | (2,986) | 2,244 | 5,384 | 42 | (331) | 5,095 |
| Buildings & Other Structures | 3 | 68,283 | 1,582 | (36,343) | 33,522 | 86,680 | 280 | (44,336) | 42,624 |
| Transport Infrastructure | | 241,553 | - | (99,788) | 141,765 | 285,534 | 2,776 | (118,006) | 170,304 |
| Stormwater Drainage | | 6,108 | 1,187 | (2,967) | 4,328 | 6,108 | 1,551 | (3,079) | 4,580 |
| Plant & Equipment | | - | 11,107 | (5,062) | 6,045 | - | 10,751 | (4,516) | 6,235 |
| Furniture & Fittings | | - | 1,663 | (1,026) | 637 | - | 1,839 | (1,131) | 708 |
| CWMS Infrastructure | | 17,793 | 298 | (6,793) | 11,298 | 17,793 | 593 | (7,171) | 11,215 |
| Water Scheme Infrastructure | | 1,795 | 17 | (540) | 1,272 | 3,393 | - | (954) | 2,439 |
| Other assets | | - | 9,074 | (3,309) | 5,765 | - | 10,829 | (3,737) | 7,092 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | 409,927 | 24,928 | (158,814) | 276,041 | 478,464 | 28,661 | (183,261) | 323,864 |
| Comparatives | | 398,160 | 30,035 | (173,655) | 254,540 | 409,927 | 24,928 | (158,814) | 276,041 |

This Note continues on the following pages.

YORKE PENINSULA COUNCIL

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 | Additions | | Disposals | Depreciation | Impairment | Transfers | Net Revaluation | |
| | | New/Upgrade | Renewals | | | | | | |
| Land | 69,165 | - | - | - | - | - | - | 4,407 | 73,572 |
| Buildings & Other Structures | 2,244 | 42 | - | - | (331) | - | - | 3,140 | 5,095 |
| Buildings & Other Structures | 33,522 | 138 | 142 | - | (1,719) | - | - | 10,541 | 42,624 |
| Transport Infrastructure | 141,765 | 779 | 1,997 | - | (4,328) | - | - | 30,091 | 170,304 |
| Stormwater Drainage | 4,328 | 362 | 2 | - | (112) | - | - | - | 4,580 |
| Plant & Equipment | 6,045 | 191 | 1,385 | (416) | (970) | - | - | - | 6,235 |
| Furniture & Fittings | 637 | 57 | 119 | - | (105) | - | - | - | 708 |
| CWMS Infrastructure | 11,298 | 135 | 160 | - | (378) | - | - | - | 11,215 |
| Water Scheme Infrastructure | 1,272 | 12 | - | - | (67) | - | - | 1,222 | 2,439 |
| Other assets | 5,765 | 812 | 943 | - | (428) | - | - | - | 7,092 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | 276,041 | 2,528 | 4,748 | (416) | (8,438) | - | - | 49,401 | 323,864 |
| Comparatives | 254,540 | 2,278 | 3,725 | (134) | (8,827) | | | 24,459 | 276,041 |

This Note continues on the following pages.

YORKE PENINSULA COUNCIL

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.

Yorke Peninsula Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

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.

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 1 July 2013 by Maloney Field Services in accordance with AASB 13 *Fair Value Measurement*. Their valuation has separated major buildings into their component parts (i.e. structure, internal finishes, roofing, etc.) and buildings are depreciated on the basis of the component parts.

Infrastructure

Transportation Infrastructure assets were valued by Tonking Consulting as at 1 July 2013. Complete sealed road condition assessments were undertaken by the Australian Road Research Board, who in conjunction with Council staff, also undertook a partial condition assessment on approximately 670kms of unsealed road network. The road networks assessed were segmented spatially to reflect future management practice for ongoing capital works programmes. Unit rates were reviewed and applied to all new data for input into Councils Asset Management System.

Stormwater drainage infrastructure was valued by Gayler Professional Services as at 30 June 2011 at written down current replacement cost and pursuant to Council's election are disclosed at written down replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Community Wastewater Management Schemes infrastructure was valued by Gayler Professional Services as at 30 June 2011 at written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Water Supply Schemes infrastructure was valued by Maloney Field Services as at 30 June 2014 at written down current replacement cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

Pursuant to Council's election, these assets are recognised on the cost basis.
These include Other Assets and Minor Plant.

YORKE PENINSULA COUNCIL

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 | | 748 | | 575 | |
| Payments received in advance | | 167 | - | 57 | - |
| Accrued expenses - employee entitlements | | 346 | - | 869 | - |
| Accrued expenses - other | | 731 | - | 235 | - |
| Deposits, Retentions & Bonds | | 4 | - | 32 | - |
| Other | | - | - | 146 | - |
| | | <u>1,996</u> | <u>-</u> | <u>1,914</u> | <u>-</u> |
| BORROWINGS | | | | | |
| Loans | | 682 | 1,590 | 748 | 2,237 |
| | | <u>682</u> | <u>1,590</u> | <u>748</u> | <u>2,237</u> |

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

PROVISIONS

| | | | | |
|---|--------------|------------|------------|------------|
| Employee entitlements (including oncosts) | 1,405 | 496 | 804 | 158 |
| Future reinstatement / restoration, etc | 29 | 139 | 53 | 151 |
| | <u>1,434</u> | <u>635</u> | <u>857</u> | <u>309</u> |

Movements in Provisions - 2014 year only (current & non-current)

| | Carbon Tax | Insurance Losses | Future Reinstatement | Other Provision |
|-----------------|------------|---------------------|-------------------------|--------------------|
| Opening Balance | - | - | 204 | - |
| (Less) Payments | - | - | (36) | - |
| Closing Balance | <u>-</u> | <u>-</u> | <u>168</u> | <u>-</u> |

YORKE PENINSULA COUNCIL

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 |
| Land | 68,879 | 4,407 | - | 73,286 |
| Buildings & Other Structures | 35,314 | 13,681 | - | 48,995 |
| Transport Infrastructure | 158,663 | 30,091 | - | 188,754 |
| Stormwater drainage | 3,479 | - | - | 3,479 |
| CWMS Infrastructure | 9,219 | - | - | 9,219 |
| Water Scheme Infrastructure | 152 | 1,222 | - | 1,374 |
| TOTAL | 275,706 | 49,401 | - | 325,107 |
| <i>Comparatives</i> | <i>265,678</i> | <i>24,459</i> | <i>(14,431)</i> | <i>275,706</i> |

| OTHER RESERVES | 1/7/2013 | Transfers to Reserve | Transfers from Reserve | 30/6/2014 |
|-------------------------------------|--------------|-------------------------|---------------------------|------------|
| Balgowan Water Supply | 1 | - | (1) | 0 |
| Balgowan (Gills) Water Augmentation | 49 | - | (4) | 45 |
| Black Point Water Supply | 36 | 21 | - | 57 |
| Combined Effluent Reserve | 125 | - | (115) | 10 |
| Hardwicke Bay Effluent Augmentation | 177 | - | (6) | 171 |
| Hardwicke Bay Water Supply | 32 | 23 | - | 55 |
| Hardwicke Bay Water Augmentation | 41 | - | - | 41 |
| Point Souttar Effluent Augmentation | 17 | - | - | 17 |
| Port Victoria Effluent Augmentation | 316 | 5 | - | 321 |
| TOTAL OTHER RESERVES | 794 | 49 | (126) | 717 |
| <i>Comparatives</i> | <i>1,320</i> | <i>23</i> | <i>(549)</i> | <i>794</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).

Balgowan Water Supply

Investment of surplus funds from water service charges levied for Balgowan, as required by legislation.

Balgowan (Gills) Water Augmentation

Contribution from land division (as condition of approval) to assist future water supply infrastructure installation/upgrade

Black Point Water Supply

Surplus funds from service charges levied are appropriated to assist with the maintenance and capital replacement of the scheme in the future.

Combined Effluent Reserve

Surplus funds from service charges levied are appropriated to assist with the maintenance and capital replacement of the various schemes in the future as per motion of Council at 12th June 2007 meeting.

Hardwicke Bay Effluent Augmentation

Contribution from land division (as condition of approval) to assist future effluent infrastructure installation/upgrade.

Hardwicke Bay Water

Surplus funds from service charges levied are appropriated to assist with the maintenance and capital replacement of the scheme in the future.

Hardwicke Bay Water Augmentation

Contribution from land division (as condition of approval) to assist future water infrastructure installation/upgrade.

Port Souttar Effluent Augmentation

Contribution (as condition of approval) to assist future effluent infrastructure installation/upgrade.

Port Victoria Water Augmentation

Contribution from land division (as condition of approval) to assist future water supply infrastructure installation/upgrade.

YORKE PENINSULA COUNCIL

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 | | | |
| Developer Contributions | | - | 18 |
| | | <u>0</u> | <u>18</u> |
| INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT | | | |
| refer below | | 15,316 | 14,337 |
| | | <u>15,316</u> | <u>14,337</u> |
| TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS | | <u>15,316</u> | <u>14,355</u> |

Due to the nature of Local Government there are restrictions over many of the assets controlled by Council. These

The following major assets have been identified as restricted:-

Country Fire Service Stations

| | | |
|---------------|-----|-----|
| Ardrossan | 56 | 136 |
| Balgowan | 150 | 150 |
| Port Clinton | 77 | 75 |
| Curramulka | 29 | 30 |
| Maitland | 60 | 60 |
| Minlaton | 54 | 55 |
| Port Victoria | 109 | 100 |
| Stansbury | - | 145 |
| Yorke town | - | 50 |

Caravan Parks

| | | |
|------------------------|-------|-------|
| Ardrossan | 755 | 584 |
| Coobowie | 3,200 | 3,048 |
| Edithburgh | 1,954 | 1,938 |
| Minlaton | 313 | 305 |
| Pine Point | 473 | 413 |
| Port Clinton | 436 | 435 |
| Port Rickaby | 1,462 | 1,367 |
| Port Victoria | 592 | 564 |
| Stansbury/Oyster Point | 3,585 | 3,237 |
| Yorke town | 843 | 878 |

Fauna & Wildlife Parks

| | | |
|----------|-----|-----|
| Minlaton | 123 | 126 |
|----------|-----|-----|

Parklands

| | | |
|--|---------------|---------------|
| Ardrossan Scout Hall | 276 | 95 |
| Minlaton Basketball Stadium and Courts | 286 | 334 |
| Edithburgh Oval | 30 | 23 |
| Yorke town Lions Clubrooms | 355 | 153 |
| Warooka Museum | 98 | 36 |
| | <u>15,316</u> | <u>14,337</u> |

YORKE PENINSULA COUNCIL

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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Notes | 2014 \$'000 | 2013 \$'000 |
|----------------------------------|-------|----------------|----------------|
| Total cash & equivalent assets | 5 | 2,607 | 2,961 |
| Balances per Cash Flow Statement | | <u>2,607</u> | <u>2,961</u> |

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

| | | |
|---|---------------------|---------------------|
| Net Surplus (Deficit) | (2,410) | (2,686) |
| Non-cash items in Income Statement | | |
| Depreciation, amortisation & impairment | 8,438 | 8,827 |
| Net increase (decrease) in unpaid employee benefits | 416 | 38 |
| Non-cash asset acquisitions | (39) | (13) |
| Grants for capital acquisitions treated as Investing Activity | (946) | (594) |
| Net (Gain) Loss on Disposals | (23) | (29) |
| | <u>5,436</u> | <u>5,543</u> |
| Add (Less): Changes in Net Current Assets | | |
| Net (increase) decrease in receivables | (13) | (167) |
| Net (increase) decrease in inventories | 164 | (59) |
| Net increase (decrease) in trade & other payables | 605 | (400) |
| Net increase (decrease) in other provisions | - | (45) |
| Net Cash provided by (or used in) operations | <u>6,192</u> | <u>4,872</u> |

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

| | | | |
|---|---|-----------|-----------|
| - Physical resources received free of charge | 3 | 39 | 13 |
| <i>Amounts recognised in Income Statement</i> | | <u>39</u> | <u>13</u> |
| | | <u>39</u> | <u>13</u> |

(d) Financing Arrangements

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

| | | |
|--------------------------------------|-------|-------|
| Bank Overdrafts | 100 | 100 |
| Corporate Credit Cards | 30 | 30 |
| LGFA Cash Advance Debenture facility | 3,000 | 3,000 |

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

YORKE PENINSULA COUNCIL

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 2014 \$'000 | ACTUAL 2014 \$'000 | ACTUAL 2013 \$'000 | ACTUAL 2014 \$'000 | ACTUAL 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | | |
| Business Undertakings | 2,376 | 2,416 | 1,942 | 3,269 | 434 | (853) | - | 27,514 | 23,815 | |
| Community Services | 671 | 676 | 1,518 | 1,607 | (847) | (931) | 515 | 5,195 | 4,460 | |
| Culture | 370 | 345 | 981 | 1,817 | (611) | (1,472) | 14 | 14,662 | 12,613 | |
| Community Wastewater Management | 1,432 | 1,348 | 1,296 | 1,166 | 136 | 182 | - | 12,235 | 12,173 | |
| Environment | 1,365 | 836 | 1,389 | 1,359 | (24) | (523) | 1 | 8,334 | 10,941 | |
| Recreation | 94 | 103 | 1,556 | 1,510 | (1,462) | (1,407) | 558 | 56,559 | 48,363 | |
| Regulatory Services | 305 | 287 | 296 | 303 | 9 | (16) | - | - | - | |
| Tourism | 48 | 28 | 189 | 176 | (141) | (148) | - | 3 | 3 | |
| Transport & Communication | 790 | 1,181 | 7,923 | 7,999 | (7,133) | (6,818) | 854 | 184,900 | 151,148 | |
| Waste Management | 2,303 | 2,082 | 2,363 | 2,311 | (60) | (229) | 10 | 1,470 | 1,351 | |
| Water Supply | 277 | 268 | 271 | 321 | 6 | (53) | - | 3,265 | 1,982 | |
| Council Administration | 14,930 | 14,530 | 8,655 | 5,584 | 6,275 | 8,946 | 753 | 14,636 | 14,661 | |
| TOTALS | 24,961 | 24,100 | 28,379 | 27,422 | (3,418) | (3,322) | 2,705 | 328,773 | 281,510 | |

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.

YORKE PENINSULA COUNCIL

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:

Business Undertakings

Caravan Parks, Electricity Supply, Gravel Pits/Quarries, Marinas/Boat Havens, Private Works, Property Portfolio, and Other.

Community Services

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Nursing Homes, Preventive Health Services, Other Health Services, Community Support, Elderly Citizens Facilities, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centres, Children and Youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support, Other Community Support, Community Amenities, Cemeteries, Public Conveniences, Car Parking – non-fee-paying, Telecommunications Networks, and Other Community Amenities.

Culture

Library Services, Other Library Services, Cultural Services, Cultural Venues, Heritage, Museums and Art Galleries, and Other Cultural Services.

Community Wastewater Management

Community Wastewater Management Schemes

Economic Development

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

Environment

Agricultural Services, Agricultural Water, Animal/Plant Boards, Landcare, Other Agricultural Services, Other Environment, Coastal Protection, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

Recreation

Jetties, Other Marine Facilities, Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor, Swimming Centres – Outdoor, and Other Recreation.

Regulatory Services

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

Transport

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

Waste Management

Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility and Other Waste Management

Water Supply

Water Supply - domestic

Council Administration

Governance, Administration NEC., Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose, and Separate and Special Rates.

YORKE PENINSULA COUNCIL

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: Deposits are returning fixed interest rates between 2.5% and 3.05% (2013: 3.35% and 4.2%). Short term deposits have an average maturity of 0 days and an average interest rate of 2.5% (2013: 0 days, 3.15%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p> |
| Receivables - Rates & Associated Charges (including legals & penalties for late payment) Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures. | <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. 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 by principal and interest; interest is charged at fixed rates between 4.4% and 8.25% (2013: 5.7% and 8.25%)</p> <p>Carrying amount: approximates fair value.</p> |
| Liabilities - Finance Leases | <p>Accounting Policy: accounted for in accordance with AASB 117.</p> |

YORKE PENINSULA COUNCIL

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 \$'000 | Due > 1 year; ≤ 5 years \$'000 | Due > 5 years \$'000 | Total Contractual Cash Flows \$'000 | Carrying Values \$'000 |
|------------------------------|-----------------------------------|--|------------------------------------|--|-----------------------------------|
| Financial Assets | | | | | |
| Cash & Equivalents | 2,607 | - | - | 2,607 | 2,607 |
| Receivables | 800 | - | - | 800 | 770 |
| Other Financial Assets | - | 290 | 282 | 572 | 438 |
| Total | 3,407 | 290 | 282 | 3,979 | 3,815 |
| Financial Liabilities | | | | | |
| Payables | 919 | - | - | 919 | 919 |
| Current Borrowings | 825 | - | - | 825 | 682 |
| Non-Current Borrowings | - | 1,136 | 936 | 2,072 | 1,590 |
| Total | 1,744 | 1,136 | 936 | 3,816 | 3,191 |
| 2013 | Due < 1 year \$'000 | Due > 1 year; ≤ 5 years \$'000 | Due > 5 years \$'000 | Total Contractual Cash Flows \$'000 | Carrying Values \$'000 |
| Financial Assets | | | | | |
| Cash & Equivalents | 2,961 | - | - | 2,961 | 2,961 |
| Receivables | 859 | - | - | 859 | 826 |
| Other Financial Assets | - | 327 | 372 | 699 | 467 |
| Total | 3,820 | 327 | 372 | 4,519 | 4,254 |
| Financial Liabilities | | | | | |
| Payables | 810 | - | - | 810 | 810 |
| Current Borrowings | 938 | - | - | 938 | 748 |
| Non-Current Borrowings | - | 1,684 | 1,175 | 2,859 | 2,237 |
| Total | 1,748 | 1,684 | 1,175 | 4,607 | 3,795 |

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 |
| Fixed Interest Rates | 6.53 | 2,272 | 6.78 | 2,985 |
| | | <u>2,272</u> | | <u>2,985</u> |

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

YORKE PENINSULA COUNCIL

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

Note 14 - COMMITMENTS FOR EXPENDITURE

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Capital Commitments | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Buildings | 108 | 158 |
| | <u>108</u> | <u>158</u> |
| These expenditures are payable: | | |
| Not later than one year | 53 | 50 |
| Later than one year and not later than 5 years | 55 | 108 |
| | <u>108</u> | <u>158</u> |
| Other Expenditure Commitments | | |
| Other non-capital expenditure commitments in relation to investment properties: | | |
| Audit Services | 82 | 74 |
| Waste Management Services | 9,454 | 6,813 |
| Employee Remuneration Contracts | 2,162 | 1,661 |
| | <u>11,698</u> | <u>8,548</u> |
| These expenditures are payable: | | |
| Not later than one year | 2,738 | 2,402 |
| Later than one year and not later than 5 years | 8,960 | 6,146 |
| | <u>11,698</u> | <u>8,548</u> |

YORKE PENINSULA COUNCIL

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

Note 15 - FINANCIAL INDICATORS

| | 2014 | 2013 | 2012 |
|--|------|------|------|
|--|------|------|------|

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> | (20%) | (21%) | (23%) |
| Rates - general & other less NRM levy | | | |

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

Adjusted Operating Surplus Ratio

| | | | |
|--|-------|-------|-------|
| | (20%) | (21%) | (27%) |
|--|-------|-------|-------|

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> | 9% | 6% | 7% |
| 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> | 49% | 40% | 27% |
| 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.*

YORKE PENINSULA COUNCIL

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 | 24,961 | 24,100 |
| <i>less</i> Expenses | 28,379 | 27,422 |
| Operating Surplus / (Deficit) | (3,418) | (3,322) |
| <i>less</i> Net Outlays on Existing Assets | | |
| Capital Expenditure on renewal and replacement of Existing Assets | 4,709 | 3,725 |
| Depreciation, Amortisation and Impairment | (8,438) | (8,827) |
| Proceeds from Sale of Replaced Assets | (439) | (162) |
| | (4,168) | (5,264) |
| <i>less</i> Net Outlays on New and Upgraded Assets | | |
| Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i> | 2,528 | 2,265 |
| Amounts received specifically for New and Upgraded Assets | (946) | (594) |
| | 1,582 | 1,671 |
| Net Lending / (Borrowing) for Financial Year | (832) | 271 |

YORKE PENINSULA COUNCIL

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.

Lessees commitments under all non-cancellable lease agreements are as follows:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Not later than one year | 343 | 330 |
| Later than one year and not later than 5 years | 285 | 193 |
| Later than 5 years | 23 | 16 |
| | <u>651</u> | <u>539</u> |

Lease payment commitments of Council

Council has entered into non-cancellable operating leases for various items of computer equipment.

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

Leases in relation to computer and office 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:

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Not later than one year | 94 | 103 |
| Later than one year and not later than 5 years | 127 | 191 |
| | <u>221</u> | <u>294</u> |

YORKE PENINSULA COUNCIL

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 (9.25% 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.

YORKE PENINSULA COUNCIL

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

Note 19 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 3,199 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 4 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

CONFIDENTIAL

Date:

Jim Keogh
Partner
Dean Newbery & Partners
Chartered Accountants
PO Box 755
NORTH ADELAIDE SA 5006

Dear Jim,

Management Representations: External Audit, Financial Year Ended 30 June 2014

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report (**2014 Financial Report**) of the **Yorke Peninsula Council** ("**the Council**") for the financial year ended 30 June 2014.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2014 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2014 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2014 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2014. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2014 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2014 Financial Report is free of material misstatements, including omissions.

1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2014 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

The accounting and financial management policies, practices and records of the Council were at all times maintained in accordance with the requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 1999 and that the Financial Report was prepared in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2012, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board together with all other mandatory professional reporting requirements in Australia.

ASSETS

Cash and Cash Equivalents \$ 2,607,485 (2013: \$2,961,412)

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2014.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.
- (3) Short term deposits represented amounts held with the LGFA by the Council.

Rates and Other Receivables \$605,840 (2013: \$700,960)

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers.
- (3) A review of all outstanding receivables has been conducted and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts.

Inventories \$723,191 (2013: \$886,729)

- (1) All inventories were the property of the Council and have either been paid for or the liability has been brought to account.
- (2) In accordance with AASB108, Accounting Policies, Change in Accounting Estimates and Errors 19 (b), Council elected in 2012 to make a voluntary change to an accounting policy to disclose values of road making materials held in various stockpiles throughout the Council area. Rubble stocks at 30 June 2014 totalled \$564,845 (\$701,250 in 2012/2013).

Other Current Assets \$470,424 (2013: \$345,426)

- (1) Prepayments at balance date amounted to \$210,032 and represent payments for goods and services to be received in the 30 June 2015 financial year.
- (2) There are no non-current assets held for sale.

Financial Assets – Loans to Community Groups \$502,039 (2013: \$517,936)

- (1) The balance of loans to community groups at balance date amounted to \$502,039 (includes \$437,470 Non-Current)
- (2) There are no grounds to provide for any impairment loss for loans to community groups or other organisations.

Financial Assets – Interest Free Loans to Developers \$0 (2013: \$6,000)

- (1) The balance of interest free loans to developers was repaid in full in February 2014).

Infrastructure, Property, Plant & Equipment \$323,863,365 (2013: \$276,514,217)

- (1) Infrastructure, property, plant and equipment at the 2014 balance date was represented by the following exit values, fair values, cost, accumulated depreciation and carrying amounts for each class of asset, in accordance with all prescribed requirements and standards, as follows:

| | 2013/2014 | 2012/2013 |
|---------------------------------------|-----------------------------|-------------------------------|
| Land | \$ 73,571,856 | (\$ 69,165,000) |
| Buildings and Other Structures | \$ 47,718,509 | (\$ 35,765,774) |
| Transportation Infrastructure | \$170,304,027 | (\$141,764,635) |
| Stormwater Infrastructure | \$ 4,580,681 | (\$ 4,328,491) |
| Plant & Equipment | \$ 6,234,793 | (\$ 6,045,392) |
| Furniture & Fittings | \$ 707,228 | (\$ 636,197) |
| CWMS Infrastructure | \$ 11,215,522 | (\$ 11,298,610) |
| Water Scheme Infrastructure | \$ 2,438,156 | (\$ 1,271,740) |
| Other Assets | \$ 7,092,602 | (\$ 5,765,313) |
| TOTAL | <u>\$323,863,365</u> | <u>(\$276,041,152)</u> |

- (2) The additions during the 2013/2014 financial year to Infrastructure, property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year and relevant Australian Accounting Standards, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2014 is reliable.

- (3) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2014 financial year and unchanged from the 2013 financial year.
- (4) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2014, that asset's recorded carrying amount has been written down to its recoverable amount.
- (5) Contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report.
- (6) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2014 other than those reflected in the financial report and those are not greater than the value of the asset.
- (7) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes

to the 2014 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2014 Balance Sheet.

- (8) The revaluations of transport infrastructure assets undertaken during the 2014 financial year were based on the principle of written down replacement value. Total replacement value, total economic working life and residual economic working life were reliably established based on current condition assessments conducted during the 2014 financial year.
- (9) Valuations of all infrastructure assets have been formally accepted by the Council and reflected in the 2014 Financial Report.
- (10) Revaluation of all land and buildings were undertaken in accordance with Australian Accounting Standard AASB13 Fair Value Measurement at 1 July 2013 and all additions for the 2013/2014 financial year reflect actual costs of these additions.
- (11) The resultant increment to the asset revaluation reserve during the year represents the difference between the prior written down value of the assets being valued and the valuations as at **30th June 2014**.
- (12) Depreciation expense reported in the 2014 Income Statement is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.

LIABILITIES – Current \$4,111,065 (2013: \$3,519,419): Non-Current \$2,225,775 (2013: \$2,546,187)

- (1) All liabilities which have arisen or which will arise out of the activities of the Council to the end of the 2014 financial year have been included in the 2014 Financial Report.
- (2) Trade payables amounted to \$748,244 as at the 2014 balance date.
- (3) Accrued wages and salaries and accrued employee entitlements at the 2014 balance date amounted to \$309,750.
- (4) Accrued interest of \$17,078 has been taken up at the 2014 balance date.
- (5) On costs of \$95,131 applicable to employee annual leave have been taken up as Accrued Expenses – Other.
- (6) Provisions for employee benefits totalling \$1,063,204, inclusive of on-costs, all discounted as at the 2014 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been taken up.
- (7) Accrued employee benefits of \$873,828 represent annual leave and rostered days off accrued for all valid employees as at the 2014 balance date.
- (8) Borrowings of \$2,271,705 as at the 2014 balance date represented short and long term amounts owed to the Local Government Finance Authority (inclusive of loans for Community Groups of \$502,040). Loans with the LGFA have varying maturity dates and interest rates with details fully provided in the notes to the 2014 Financial Report.
- (9) There were no contingent liabilities including any for:
 - a) guarantees;

- b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
- c) endorsements;
- d) pending law suits, unsatisfied judgements or claims;
- e) repurchase agreements; or
- f) contractual disputes between the Council and any contractor / service provider that may result in an increased liability as at 30 June 2014; which are not fully disclosed in the notes to the 2014 Financial Report.

EQUITY \$322,435,504 (2013: \$275,445,021)

- (1) There have been no adjustments to the Accumulated Surplus other than those allowable under the Australian Accounting Standards.
- (2) There have been no adjustments to the Asset Revaluation Reserve other those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (3) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council.
- (4) All transfers to and from reserve funds (including the Accumulated Surplus) have been made in accordance with the purpose of the reserve.
- (5) Not all disclosed Reserves need to be cash-backed; some are internal allocations as determined by Council.

2013 STATEMENT OF COMPREHENSIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts disclosed in the 2014 Statement of Comprehensive Income, compared to 2013.
- (2) No material 2014 amounts have been re-classified in the 2014 Statement of Comprehensive Income.
- (3) All depreciable physical resources received free of charge (\$39,200) have been included in the appropriate asset register and depreciated in accordance with Council depreciation policies from the date when Council assumed control of the asset.
- (4) Depreciation expense for 2014 is in accordance with Council's asset registers and has been determined on the same basis as for 2013.
- (5) Salaries and Wages expense disclosed in the 2014 Statement of Comprehensive Income reconciles to the last budgeted salaries and wage amount approved by Council for 2014 annual budget funding purposes.
- (6) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS

Council's Operating Deficit for the financial year is \$3.418m, which is 20% of the Rates Revenue raised (2013: \$3.322, 21%). Council is looking to bring this balance to a surplus as part of its long

term financial plan and has appointed an Asset Manager to review and manage Council's biggest expenditure line item, depreciation.

For the 2014/2015 financial year Council has budgeted for an Operating Deficit of \$3.560m (18.6% of budgeted Rates Revenue raised).

The net financial liabilities of Council have increased from 2014 and stand at approximately \$2.151m at balance date. The Net Financial Liabilities ratio of 9% is up from 6% in 2012/13.

The Asset Sustainability Ratio measures expenditure on net asset renewals against depreciation expense and has improved to 49% (40% in 2012/2013 and 27% in 2011/2012). This improvement is in direct response to strategies adopted as part of Council's Long Term Financial Plan and is expected to continue to improve as it remains a major focus of Council and Council's Asset Manager going forward.

CHIEF EXECUTIVE OFFICER'S REPORT

There are no exceptions to the standard Chief Executive Officer's report for the 2013/2014 Financial Report.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2014 that would require any consideration for adjustment to or additional disclosure in the 2014 Financial Report.
- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2014.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2014 Financial Report in the event of non-compliance.
- (4) Council has approved expenditure of approximately \$3,000,000 for construction and renovation of its principal office at Maitland. There are no other material commitments for acquisition of property, plant and equipment or other non-current assets, other than those disclosed in the 2014 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2014 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The Council has full title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (7) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (8) The Council reviews, at least on an annual basis, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.

- (9) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2014 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.
- (10) All audit correspondence has been formally and promptly responded.
- (11) All audit correspondence has been referred to Council and Council's Audit Committee.
- (12) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (13) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the financial year ended 30 June 2014 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999
- (14) The 2014 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2014.
- (15) Council's Audit Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.
- (16) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due and that assets will be at all times maintained to the service standards currently determined by Council. In our opinion Council is financially sustainable in the long term provided Council adheres to the principles of its adopted long term financial plan.

Yours sincerely

Chief Executive Officer

Director Corporate and Community Services

District Council of Yorke Peninsula
2013/2014 Statement of Comprehensive Income
Summary of Variances > 10% from 2012/2013

A review of the 2013/2014 Statement of Comprehensive Income has revealed some increases and decreases in line items which exceed 10% from the 2012/2013 financial year figures.

The major variances are detailed below:

Grants

Grant income decreased by \$691,812 for the 2013/2014 year, from \$3,396,569 in 2012/2013 to \$2,704,757 in 2013/2014 (-20.37%).

General allocations from the Grants Commission decreased by \$1,181,912 following the federal election with the recovery of 2 quarterly advance payments previously made. This decrease was offset by grants of \$558,158 for the Walk the Yorke project.

Investment Income

Investment Income totalled \$165,991 for 2013/2014, a decrease of \$85,017 (-33.87%) on 2012/2013 levels of \$251,008.

Declining funds and lower interest rates on LGFA investments saw a decrease in interest received from the LGFA of \$82,056 whilst returns from other sources remained steady.

Other Income

Other income totalled \$296,161 in 2013/2014, up from \$212,478 in 2012/2013 (39.38%) due primarily to private contributions to the Black Point boat ramp project of \$42,662 and income from the Bi-annual 2014 Art Exhibition of \$35,536.

Reimbursements

Reimbursement revenue was \$659,976 for 2013/2014 compared to \$569,647 in 2012/2013, an increase of \$90,329 (15.86%).

The major increases in this area included an increase of \$74,550 in funded traineeships and \$70,618 in insurance reimbursements offset by a reduction in Progress Association reimbursements of \$33,404 and a reduction in sporting club reimbursements of \$23,112.

Finance Costs

Finance charges were \$239,546 for 2013/2014 compared to \$302,849 in 2012/2013, a decrease of \$63,303 (-24.66%). This is directly attributable to the expected decrease in loan interest repayments.

Materials, Contracts & Other Expenses

Total expenses for the year were \$12,278,354 for 2013/2014 compared to \$11,152,046 in 2012/2013, an increase of \$1,126,308 (10.10%).

Major increases include a rise of \$470,523 in contractor's fees in the areas of staff training, CWMS maintenance, cleaning of public amenities and offices, hall maintenance, sealed roads maintenance and consultancies in regard to the Asset Management system implementation.

Waste management fees increased by \$328,109 for the year while rubble costs incurred for sealed and unsealed road maintenance also increased by \$144,235. Insurance costs also increased by \$56,157.

Materials used in all areas increased by \$74,020 whilst the by election held during the year attracted costs of \$11,403.