

SOUTHERN MALLEE DISTRICT COUNCIL

General Purpose Financial Reports for the year ended 30 June 2016

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SOUTHERN MALLEE DISTRICT COUNCIL

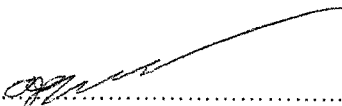
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

CERTIFICATION OF FINANCIAL STATEMENTS

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

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2016 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.


.....
Mia Dohnt
CHIEF EXECUTIVE OFFICER


.....
Andrew Grieger
MAYOR

Date: 16/11/16

SOUTHERN MALLEE DISTRICT COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
INCOME			
Rates	2	3,709,173	3,474,042
Statutory charges	2	31,252	34,203
User charges	2	463,214	447,017
Grants, subsidies and contributions	2	2,073,168	3,122,570
Investment income	2	26,333	16,934
Reimbursements	2	137,782	134,974
Other income	2	230,957	134,740
Total Income		<u>6,671,879</u>	<u>7,364,480</u>
EXPENSES			
Employee costs	3	2,529,502	2,710,127
Materials, contracts & other expenses	3	1,847,673	2,256,292
Depreciation, amortisation & impairment	3	2,378,253	2,348,069
Finance costs	3	179,166	202,357
Total Expenses		<u>6,934,594</u>	<u>7,516,845</u>
OPERATING SURPLUS / (DEFICIT)		(262,715)	(152,364)
Asset disposal & fair value adjustments	4	(55,119)	32,752
Amounts received specifically for new or upgraded assets	2	408,782	166,000
NET SURPLUS / (DEFICIT)		<u>90,948</u>	<u>46,388</u>
transferred to Equity Statement		-	-
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	6,517,739	-
Total Other Comprehensive Income		<u>6,517,739</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>6,608,687</u>	<u>46,388</u>

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

SOUTHERN MALLEE DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	853,814	975,783
Trade & other receivables	5	488,550	583,975
Inventories	5	68,580	64,148
Total Current Assets		1,410,944	1,623,906
Non-current Assets			
Financial assets	6	65,156	75,282
Infrastructure, property, plant & equipment	7	54,757,586	48,562,656
Total Non-current Assets		54,822,742	48,637,938
Total Assets		56,233,686	50,261,844
LIABILITIES			
Current Liabilities			
Trade & other payables	8	262,435	572,570
Borrowings	8	338,442	329,655
Provisions	8	768,889	766,919
Total Current Liabilities		1,369,766	1,669,144
Non-current Liabilities			
Borrowings	8	1,981,301	2,319,743
Provisions	8	27,482	26,507
Total Non-current Liabilities		2,008,783	2,346,250
Total Liabilities		3,378,549	4,015,394
NET ASSETS		52,855,137	46,246,450
EQUITY			
Accumulated Surplus		9,317,500	9,208,782
Asset Revaluation Reserves	9	43,240,674	36,722,935
Other Reserves	9	296,963	314,733
TOTAL EQUITY		52,855,137	46,246,450

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

		Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2016	Notes	\$	\$	\$	\$
Balance at end of previous reporting period		9,208,782	36,722,935	314,733	46,246,450
Restated opening balance		9,208,782	36,722,935	314,733	46,246,450
Net Surplus / (Deficit) for Year		90,948	-	-	90,948
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment	9	-	6,517,739	-	6,517,739
Transfers between reserves	9	17,770	-	(17,770)	-
Balance at end of period		9,317,500	43,240,674	296,963	52,855,137
2015					
Balance at end of previous reporting period		8,919,968	36,722,935	557,159	46,200,062
Restated opening balance		8,919,968	36,722,935	557,159	46,200,062
Net Surplus / (Deficit) for Year		46,388	-	-	46,388
Other Comprehensive Income					
Transfers between reserves	9	242,426	-	(242,426)	-
Balance at end of period		9,208,782	36,722,935	314,733	46,246,450

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

SOUTHERN MALLEE DISTRICT COUNCIL

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		3,692,548	3,446,700
Fees & other charges		33,735	37,623
User charges		606,739	402,445
Investment receipts		24,691	16,620
Grants utilised for operating purposes		2,228,656	3,355,262
Reimbursements		151,560	148,471
Other revenues		319,658	450,361
<u>Payments</u>			
Employee costs		(2,587,905)	(2,721,811)
Materials, contracts & other expenses		(2,388,587)	(2,578,946)
Finance payments		(183,280)	(207,098)
Net Cash provided by (or used in) Operating Activities	11	1,897,815	2,349,628
CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		408,782	166,000
Sale of replaced assets		247,265	98,125
Repayments of loans by community groups		11,652	22,499
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(1,636,220)	(1,108,925)
Expenditure on new/upgraded assets		(721,608)	(395,124)
Net Cash provided by (or used in) Investing Activities		(1,690,129)	(1,217,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Repayments of borrowings		(329,655)	(361,346)
Net Cash provided by (or used in) Financing Activities		(329,655)	(361,346)
Net Increase (Decrease) in cash held		(121,969)	770,857
Cash & cash equivalents at beginning of period	11	975,783	204,926
Cash & cash equivalents at end of period	11	853,814	975,783

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

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

2 The Local Government Reporting Entity

Southern Mallee District Council is incorporated under the Local Government Act 1999 and has its principal place of business at Day Street Pinnaroo SA 5304. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income recognition

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

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

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 1 - Significant Accounting Policies (cont)

	Cash Payment Received	Annual Allocation	Difference
2013/14	\$926,730	\$1,713,884	+ / - -\$787,154
2014/15	\$2,333,782	\$1,538,132	+ / - \$795,650
2015/16	\$730,979	\$1,526,629	+ / - -\$795,650

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

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

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Inventories

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

6 Infrastructure, Property, Plant & Equipment

6.1 Land under roads

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

6.2 Initial Recognition

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

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 1 - Significant Accounting Policies (cont)

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 1 - Significant Accounting Policies (cont)

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

Weighted average discount rate	1.72% (2015, 2.34%)
Weighted average settlement period	1 year (2015, 1 year)

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 17.

10 GST Implications

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

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

11 Pending Accounting Standards

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

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 124	Related Party Disclosures

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

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

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

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

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 2 - INCOME

	Notes	2016 \$	2015 \$
RATES REVENUES			
<u>General Rates</u>		3,156,965	3,080,639
Less: Discretionary rebates, remissions & write offs		<u>(66,138)</u>	<u>(82,025)</u>
		3,090,827	2,998,614
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		45,425	45,402
Waste collection		143,149	-
Community wastewater management systems		<u>400,141</u>	<u>397,507</u>
		588,715	442,909
<u>Other Charges</u>			
Penalties for late payment		<u>29,631</u>	<u>32,519</u>
		29,631	32,519
		<u>3,709,173</u>	<u>3,474,042</u>
STATUTORY CHARGES			
Development Act fees		5,329	9,316
Town planning fees		8,436	8,304
Health & Septic Tank Inspection fees		1,406	1,216
Animal registration fees & fines		11,444	10,981
Property Search Fees		<u>4,637</u>	<u>4,386</u>
		31,252	34,203
USER CHARGES			
Cemetery/crematoria fees		21,722	16,282
Health Care Centres		2,673	2,745
Mallee Mobile Childcare Service		136,968	125,884
Waste Transfer Fees		20,383	15,008
Council Housing Rents		16,440	12,720
Age Care Rentals		25,792	22,676
Museum Entry Charges		5,506	6,423
Sport & Recreation Charges		18,846	24,683
Swimming Pools		25,365	25,238
Parilla Accomodation		149,579	153,243
Hall & equipment hire		29,233	32,561
Sundry		<u>10,707</u>	<u>9,554</u>
		463,214	447,017
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		24,862	16,848
Banks & other		<u>1,471</u>	<u>86</u>
		26,333	16,934

SOUTHERN MALLEE DISTRICT COUNCIL

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

NOTE 2 - INCOME (continued)

	Notes	2016 \$	2015 \$
REIMBURSEMENTS			
Private Works		25,659	33,377
Immunisations		1,213	1,512
MCCS Other		5,000	6,364
Drummuster & Karoonda Rubbish Collection		92,970	82,144
Sport & Recreation Other		1,396	716
Other		11,544	10,861
		<u>137,782</u>	<u>134,974</u>
OTHER INCOME			
Fire Prevention		2,226	1,891
Mallee COGS		34,474	28,547
Garbage		5,163	16,272
Halls		8,121	7,608
Museums		2,854	2,637
Swimming Pools		11,206	5,391
Historical Society		-	45
Plant and Fuel Rebate		45,094	34,372
Donations		28,394	7,175
Sundry		93,425	30,802
		<u>230,957</u>	<u>134,740</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		408,782	166,000
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		730,979	2,333,782
Roads to Recovery		821,732	270,591
Childcare		515,991	509,370
Sundry		4,466	8,827
		<u>2,073,168</u>	<u>3,122,570</u>
		<u>2,481,950</u>	<u>3,288,570</u>
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		1,325,295	898,020
State government		1,156,655	2,390,550
		<u>2,481,950</u>	<u>3,288,570</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 3 - EXPENSES

	Notes	2016 \$	2015 \$
EMPLOYEE COSTS			
Salaries and Wages		2,074,758	2,239,847
Employee leave expense		340,821	348,805
Superannuation - defined contribution plan contributions	17	161,134	155,577
Superannuation - defined benefit plan contributions	17	57,579	65,688
Workers' Compensation Insurance		57,394	53,798
Less: Capitalised and distributed costs		(162,184)	(153,588)
Total Operating Employee Costs		2,529,502	2,710,127
Total Number of Employees		37	36
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		9,000	9,000
Elected members' expenses		141,705	143,458
Subtotal - Prescribed Expenses		150,705	152,458
<u>Other Materials, Contracts & Expenses</u>			
Contractors		555,376	669,029
Maintenance		851,949	861,278
Levies paid to government - NRM levy		45,500	45,489
Refund of Grants		17,770	135,858
One Off Grant Expenditure		-	112,229
Community Grants		51,153	91,553
Sundry		175,220	188,397
Subtotal - Other Materials, Contracts & Expenses		1,696,968	2,103,834
		1,847,673	2,256,292
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		304,217	304,575
Infrastructure Transport		1,436,234	1,338,517
Infrastructure Stormwater		50,290	50,290
Infrastructure Common Effluent		158,465	158,276
Infrastructure Other		27,805	21,682
Plant and Equipment		373,481	447,146
Furniture & Fittings		11,582	10,632
Library Books		304	1,076
Other Assets		15,875	15,875
		2,378,253	2,348,069
FINANCE COSTS			
Interest on Loans		179,166	202,357
		179,166	202,357

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	2016	2015
Notes	\$	\$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	247,265	98,125
Less: Carrying amount of assets sold	<u>302,384</u>	<u>65,373</u>
Gain (Loss) on disposal	<u>(55,119)</u>	<u>32,752</u>
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS	 <u>(55,119)</u>	 <u>32,752</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 5 - CURRENT ASSETS

	2016	2015
CASH & EQUIVALENT ASSETS	\$	\$
Cash on Hand and at Bank	74,378	15,244
Short Term Deposits & Bills, etc	779,436	960,539
	<u>853,814</u>	<u>975,783</u>
 TRADE & OTHER RECEIVABLES		
Rates - General & Other	422,043	405,418
Accrued Revenues	4,198	2,556
Debtors - general	52,183	149,387
GST Recoupment	-	14,962
Loans to community organisations	10,126	11,652
	<u>488,550</u>	<u>583,975</u>
 INVENTORIES		
Stores & Materials	47,323	33,941
Trading Stock	21,257	30,207
	<u>68,580</u>	<u>64,148</u>

Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2016 \$	2015 \$
Receivables			
Loans to community organisations		65,156	75,282
TOTAL FINANCIAL ASSETS		<u>65,156</u>	<u>75,282</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Fair Value Level	2015 \$				2016 \$			
	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - Other	1,973,200	-	-	1,973,200	1,973,200	-	-	1,973,200
Land - Community	704,500	-	-	704,500	704,500	15,960	-	720,460
Buildings & Other Structures	10,286,900	-	(8,468,061)	1,818,839	10,286,900	-	(8,633,934)	1,652,966
Buildings & Other Structures	8,725,100	210,702	(5,932,815)	3,002,987	8,725,100	262,110	(6,071,159)	2,916,051
Infrastructure Transport	52,511,641	3,484,749	(23,275,858)	32,720,532	56,155,848	1,595,474	(18,353,811)	39,397,511
Infrastructure Stormwater	1,158,328	1,589,757	(875,322)	1,872,763	1,158,328	1,589,757	(925,612)	1,822,473
Infrastructure Common Effluent	5,569,372	1,429,214	(4,212,138)	2,786,448	5,569,372	1,452,118	(4,370,603)	2,650,887
Infrastructure Other	-	646,900	(198,686)	448,214	-	666,399	(226,491)	439,908
Plant and Equipment	-	5,493,090	(2,441,220)	3,051,870	-	5,425,419	(2,403,149)	3,022,270
Furniture & Fittings	-	298,775	(167,225)	131,550	-	305,093	(178,807)	126,286
Library Books	-	10,594	(8,551)	2,043	-	10,594	(8,855)	1,739
Other Assets	-	250,866	(201,156)	49,710	-	250,866	(217,031)	33,835
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	80,929,041	13,414,647	(45,781,032)	48,562,656	84,573,248	11,573,790	(41,389,452)	54,757,586
Comparatives	80,929,041	12,282,096	43,739,088	49,472,049	80,929,041	13,414,647	(45,781,032)	48,562,656

This Note continues on the following pages.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2015 \$	CARRYING AMOUNT MOVEMENTS DURING YEAR \$						2016 \$
		Additions		Disposals	Depreciation	Transfers		Net Revaluation
		New/Upgrade	Renewals			In	Out	
Land - Other	1,973,200	-	-	-	-	-	-	1,973,200
Land - Community	704,500	15,960	-	-	-	-	-	720,460
Buildings & Other Structures	1,818,839	-	-	-	(165,873)	-	-	1,652,966
Buildings & Other Structures	3,002,987	24,319	27,089	-	(138,344)	-	-	2,916,051
Infrastructure Transport	32,720,532	618,335	977,139	-	(1,436,234)	-	-	39,397,511
Infrastructure Stormwater	1,872,763	-	-	-	(50,290)	-	-	1,822,473
Infrastructure Common Effluent	2,786,448	22,904	-	-	(158,465)	-	-	2,650,887
Infrastructure Other	448,214	19,499	-	-	(27,805)	-	-	439,908
Plant and Equipment	3,051,870	14,273	631,992	(302,384)	(373,481)	-	-	3,022,270
Furniture & Fittings	131,550	6,318	-	-	(11,582)	-	-	126,286
Library Books	2,043	-	-	-	(304)	-	-	1,739
Other Assets	49,710	-	-	-	(15,875)	-	-	33,835
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	48,562,656	721,608	1,636,220	(302,384)	(2,378,253)	-	-	54,757,586
Comparatives	49,472,049	395,124	1,108,925	(65,373)	(2,348,069)	15,000	(15,000)	48,562,656

This Note continues on the following pages.

SOUTHERN MALLEE DISTRICT COUNCIL

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

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

Valuation of Assets

General Valuation Principles

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

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

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

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

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

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

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

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

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

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

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

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

Office Furniture & Equipment	\$5,000
Other Plant & Equipment	\$5,000
Buildings - new construction/extensions	\$5,000
Park & Playground Furniture & Equipment	\$5,000
Road construction & reconstruction	\$5,000
Paving & footpaths, Kerb & Gutter	\$5,000
Drains & Culverts	\$5,000

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 7 – Property, Plant & Equipment (cont)

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

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Water Supply Equipment	15 to 25 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	35 years
Traffic Control Signage	10 years
Bridges – Concrete	80 to 100 years
Paving & Footpaths, Kerb & Gutter	25 to 35 years
Stormwater Drainage	65 to 70 years
Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years
Dams and Reservoirs	80 to 100 years
Bores	20 to 40 years
Community Waste Water Scheme	35 to 40 years
Reticulation Pipes – PVC	70 to 80 years
Reticulation Pipes – other	25 to 75 years
Pumps & Telemetry	15 to 25 years
Other Assets	
Library Books	10 to 15 years

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 1997 at current replacement cost. Additions are recognised at cost.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1).

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2011 by Christopher Chaney of Asset Valuation and Consulting.

Infrastructure

Transportation assets were valued by Peter Maloney from Maloney Asset Management Systems at depreciated current replacement cost at 1 July 2015, based on actual costs incurred during the reporting periods ended 30 June 2014 and 30 June 2015. All acquisitions made after the respective dates of valuation are recorded at cost.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 7 – Property, Plant & Equipment (cont)

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2011 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2011. All acquisitions made after the respective dates of valuation are recorded at cost.

Community wastewater management system infrastructure was valued at depreciated current replacement cost during the reporting period ended 30 June 2011 by Richard Gayler of Gayler Professional Engineering. All acquisitions made after the respective dates of valuation are recorded at cost.

Infrastructure Other includes recreational assets such as street furniture, parks and gardens equipment etc. All acquisitions made have been recorded at cost and have not been valued.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 8 - LIABILITIES

		2016		2015	
		\$		\$	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		200,579	-	445,252	-
Accrued expenses - employee entitlements		29,047	-	90,395	-
Accrued expenses - other		32,809	-	36,923	-
		<u>262,435</u>	<u>-</u>	<u>572,570</u>	<u>-</u>
BORROWINGS					
Loans		338,442	1,981,301	329,655	2,319,743
		<u>338,442</u>	<u>1,981,301</u>	<u>329,655</u>	<u>2,319,743</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		768,889	15,532	766,919	14,557
Other		-	11,950	-	11,950
		<u>768,889</u>	<u>27,482</u>	<u>766,919</u>	<u>26,507</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1-7-2015	Net Increments (Decrements)	Transfers, Impairments	30-6-2016
Notes	\$	\$	\$	\$
Land	1,308,255	-	-	1,308,255
Buildings & Other Structures	3,361,799	-	-	3,361,799
Infrastructure Transport	32,052,881	6,517,739	-	38,570,620
TOTAL	36,722,935	6,517,739	-	43,240,674
<i>Comparatives</i>	<i>36,722,935</i>	<i>-</i>	<i>-</i>	<i>36,722,935</i>

OTHER RESERVES	1-7-2015	Transfers to Reserve	Transfers from Reserve	30-6-2016
Long Service Leave	275,000	-	-	275,000
Reserve - Childcare	39,733	-	(17,770)	21,963
TOTAL OTHER RESERVES	314,733	-	(17,770)	296,963
<i>Comparatives</i>	<i>557,159</i>	<i>-</i>	<i>(242,426)</i>	<i>314,733</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other Reserves

Long Service Leave

Is for the future cash requirements of Staff Leaving Council

Childcare

Is for the future cash requirements of asset replacement for the childcare

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

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

CASH & FINANCIAL ASSETS	Notes	2016 \$	2015 \$
Unexpended amounts received from Federal Government			
Mallee Child Care Service		<u>21,963</u>	<u>39,733</u>
		<u>21,963</u>	<u>39,733</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	Notes	2016 \$	2015 \$
Total cash & equivalent assets	5	853,814	975,783
Balances per Cash Flow Statement		<u>853,814</u>	<u>975,783</u>

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

Net Surplus (Deficit)	90,948	46,388
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	2,378,253	2,348,069
Net increase (decrease) in unpaid employee benefits	(58,403)	(11,684)
Grants for capital acquisitions treated as Investing Activity	(408,782)	(166,000)
Net (Gain) Loss on Disposals	55,119	(32,752)
	<u>2,057,135</u>	<u>2,184,021</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	93,899	(118,392)
Net (increase) decrease in inventories	(4,432)	(16,794)
Net increase (decrease) in trade & other payables	(248,787)	300,793
Net Cash provided by (or used in) operations	<u>1,897,815</u>	<u>2,349,628</u>

(c) Financing Arrangements

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

LGFA Cash Advance Debenture facility	1,500,000	1,500,000
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The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 12 - FUNCTIONS

	INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL 2016	ACTUAL 2015	ACTUAL 2016	ACTUAL 2015	ACTUAL 2016	ACTUAL 2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Dog and Fire Prevention	15,266	16,055	48,568	60,230	(33,302)	(44,175)	-	-	-	-
Health Services	6,262	6,256	62,222	43,613	(55,960)	(37,357)	790	781	-	-
Welfare & Childcare Services	693,434	688,126	660,408	963,696	33,026	(275,570)	515,991	516,603	-	-
Housing & Community Amenities	742,389	570,913	904,593	919,495	(162,204)	(348,582)	-	-	5,685,709	5,685,709
Sport & Recreation	153,495	128,636	852,477	866,095	(698,982)	(737,459)	3,676	336,356	2,873,921	2,852,864
Development Services & Gravel Pits	5,329	10,009	154,001	146,999	(148,672)	(136,990)	-	-	-	-
Road & Aerodrome	1,214,074	678,561	2,249,741	2,073,102	(1,035,667)	(1,394,541)	1,211,757	270,636	37,232,395	31,281,810
Economic Affairs	154,899	155,512	261,644	362,461	(106,745)	(206,949)	-	56,000	144,004	144,004
Finance, Plant, Depot & Other Purposes	107,682	49,936	265,500	469,272	(157,818)	(419,336)	-	-	6,078,315	6,078,315
Governance	-	-	464,473	533,450	(464,473)	(533,450)	-	-	-	-
Administration & Support Services	299	-	965,364	1,032,948	(965,065)	(1,032,948)	-	-	-	-
Rate & Grant Revenue	3,578,750	5,060,476	45,603	45,484	3,533,147	5,014,992	340,954	1,942,194	4,219,342	4,219,342
TOTALS	6,671,879	7,364,480	6,934,594	7,516,845	(262,715)	(152,365)	2,073,168	3,122,570	56,233,686	50,261,844

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.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 12 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Dog and Fire Prevention

Dog and Cat Control, Fire Prevention and Other Public Order and Safety.

Health Services

Health Services, Pest Control - Health, Immunisation, Prevention Health Services, Dental Clinics and Other Health Services.

Welfare and Childcare Services

Community Support, elderly Citizens Facilities, Other Services for the Aged and Disabled, Mobile Child Care Service, Children and Youth Services, Community Assistance, Community Transport and Other Community Support.

Housing and Community Amenities

Community Amenities, Cemeteries, Public Conveniences, Waste Management Facility and Recycling, Kerbside Waste and Recycling Collection, Community Waste Water Management Schemes, Street Lighting, Street Cleaning, Stormwater, Street Furniture, Aged Accommodation and Other Community Amenities.

Sport and Recreation

Halls, Swimming Pools, Library Services and Static Libraries, Parks and Gardens, Sports Venues, Cultural Services, Cultural Venues, Heritage and Museums.

Agricultural Services

Agricultural Services, Agricultural Water and Other Agricultural Services.

Development Services and Gravel Pits

Building and Planning Development Regulatory Services, Reinstatement of Gravel Pits,

Roads and Aerodrome

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

Economic Affairs

Regional Development, Support to Local Businesses, Caravan Parks, Seasonal Worker Accommodation Facility, Community Telecentres, Tourism and Other Economic Development.

Finance, Plant and Other Purposes

Council Investments Income, Council Debt Repayments, Operational Expenses associated with Council Depot and Construction Plant and Machinery, reinstatement of vandalism damage and Other Property Expenses.

Governance

Governance, Elected Members Expenses.

Administration Support Services

Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services,

Unclassified Activities

Items not elsewhere included.

Rate and Grant Revenue

Rates, Natural Resource Management Levy and Revenues, LGGC - General Purpose.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 13 - FINANCIAL INSTRUMENTS

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

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned. Terms & conditions: Deposits are returning fixed interest rates between 1.75% and 2% (2015: 2% and 2.5%). Carrying amount: approximates fair value due to the short term to maturity.
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.	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. Terms & conditions: Secured over the subject land, arrears attract interest of 0.6041% (2015: 0.65%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State. Carrying amount: approximates fair value (after deduction of any allowance).
Receivables - Fees & other charges	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. 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. Carrying amount: approximates fair value (after deduction of any allowance).
Receivables - other levels of government	Accounting Policy: Carried at nominal value. 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. Carrying amount: approximates fair value.
Liabilities - Creditors and Accruals	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. Terms & conditions: Liabilities are normally settled on 30 day terms. Carrying amount: approximates fair value.
Liabilities - Interest Bearing Borrowings	Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues. Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.63% and 7.92% (2015: 5.63% and 7.92%) Carrying amount: approximates fair value.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2016	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	853,814			853,814	853,814
Receivables	66,507	6,156	59,000	131,663	131,663
Total	920,321	6,156	59,000	985,477	985,477
Financial Liabilities					
Payables	200,579			200,579	200,579
Current Borrowings	488,425			488,425	338,442
Non-Current Borrowings	-	1,502,553	995,095	2,497,648	1,981,301
Total	689,004	1,502,553	995,095	3,186,652	2,520,322

2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	975,783			975,783	975,783
Receivables	163,595	16,282	59,000	238,877	253,839
Total	1,139,378	16,282	59,000	1,214,660	1,229,622
Financial Liabilities					
Payables	445,252			445,252	445,252
Current Borrowings	501,782			501,782	329,655
Non-Current Borrowings	-	1,664,043	1,331,282	2,995,325	2,319,743
Total	947,034	1,664,043	1,331,282	3,942,359	3,094,650

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

	30 June 2016		30 June 2015	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$	%	\$
Fixed Interest Rates	6.74%	2,319,743	6.74%	2,649,398
		<u>2,319,743</u>		<u>2,649,398</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.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 14 - COMMITMENTS FOR EXPENDITURE

	2016	2015
<u>Notes</u>	\$	\$
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Other Expenditure Commitments		
Other non-capital expenditure commitments in relation to investment properties:		
Audit Contract	74	9
Rubble Carting	600	-
Rubble Crushing	500	-
Cleaning Contract	109	-
Employment Contracts	679	-
	1,962	9
 These expenditures are payable:		
Not later than one year	830	9
Later than one year and not later than 5 years	733	-
Later than 5 years	399	-
	1,962	9

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 15 - FINANCIAL INDICATORS

	2016	2015	2014
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

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

Operating Surplus Ratio

<u>Operating Surplus</u>	(3.9%)	(2.1%)	(20.0%)
Total Operating Revenue			

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

Adjusted Operating Surplus Ratio

	8%	(13%)	(6%)
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*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The **Adjusted Operating Surplus Ratio** adjusts for the resulting distortion in the disclosed operating result for each year.*

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	30%	32%	58%
Total Operating Revenue			

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

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	133%	47%	51%
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.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 16 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2016 \$	2015 \$
Income	6,671,879	7,364,480
less Expenses	<u>6,934,594</u>	<u>7,516,845</u>
Operating Surplus / (Deficit)	(262,715)	(152,364)
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	1,636,220	1,108,925
Depreciation, Amortisation and Impairment	(2,378,253)	(2,348,069)
Proceeds from Sale of Replaced Assets	<u>(247,265)</u>	<u>(98,125)</u>
	(989,298)	(1,337,269)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	721,608	395,124
Amounts received specifically for New and Upgraded Assets	(408,782)	(166,000)
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	-
	<u>312,826</u>	<u>229,124</u>
Net Lending / (Borrowing) for Financial Year	<u>413,757</u>	<u>955,781</u>

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 17 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2015/16; 9.50% in 2014/15). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2014/15) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 1,386 km of road reserves of average width 22 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$16,282 (2015: 27,934) at reporting date.

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

4. LEGAL EXPENSES

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

SOUTHERN MALLEE DISTRICT COUNCIL

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

Note 19 - RETROSPECTIVE RESTATEMENT OF THE 2014/2015 STATEMENTS FOR MATERIAL CORRECTIONS DETECTED AFTER SIGNING OF THE ACCOUNTS

It has been identified that Grants Commission Revenue was incorrectly treated in 2014/15. Grants Commission revenue received on the 30 June 2015 was treated as Income Received in Advance that understated the Operating Result of the 2014/2015 financial year and subsequently overstated the 2015/2016 operating result for that year.

Below shows the effect of the adjustment on the Statement of Financial Position and the Statement of Comprehensive Income.

Note 8 Liabilities

	\$
Payments Received in Advance	795,600
<i>Adjustment</i>	<u>(795,600)</u>
Adjusted 2014/2015 Amount Received in Advance	<u>Nil</u>

Note 2 Income

	\$
2014/2015 Grants, Subsidies, Contributions	2,326,920
<i>Adjustment</i>	<u>795,650</u>
Adjusted 2014/2015 Grants Subsidies and Contributions	<u>3,122,570</u>

Note 2 Sources of Grants

State Government	1,594,900
<i>Adjustment</i>	<u>795,650</u>
Adjusted 2014/2015 State Government Grants	<u>2,390,550</u>

SOUTHERN MALLEE DISTRICT

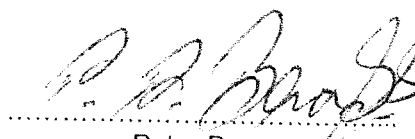
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Southern Mallee District Council for the year ended 30 June 2016, the Council's Auditor, Dean Newbery and Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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


.....
Mia Dohnt
CHIEF EXECUTIVE OFFICER


.....
Peter Brass
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 16/11/16

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN MALLEE DISTRICT COUNCIL

We have audited the accompanying financial report of the Southern Mallee District Council, which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Certification of Financial Statements statement.

The Responsibility of the Chief Executive Officer for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011. We confirm that the independence declaration required by the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 provided to the Chief Executive Officer, would be in the same terms if provided to the Chief Executive Officer as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Southern Mallee District Council as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and the Australian Accounting Standards (including Australian Accounting Interpretations).

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



JIM KEOGH
PARTNER

Signed on the 28th day of November 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE SOUTHERN MALLEE DISTRICT COUNCIL

We have audited the Internal Controls of the Southern Mallee District Council (the Council) under the requirements of *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2015 to 30 June 2016 have been conducted properly and in accordance with law.

The Council's Responsibility for the Internal Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Council's compliance with *Section 129(1)(b) of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2015 to 30 June 2016. ASAE 3100 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

Limitation on Use

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

Limitations of Controls

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

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

Independence

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

Opinion

In our opinion, the Council has complied, in all material respects, with *Section 129(1)(b) of the Local Government Act 1999* in relation to Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2015 to 30 June 2016.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'J. Keogh', is written over the printed name.

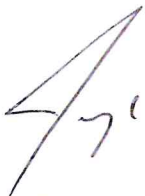
JIM KEOGH
PARTNER

Signed on the 28th day of November 2016
at 214 Melbourne Street, North Adelaide, South Australia, 5006

Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the Southern Mallee District Council for the year ended 30 June 2016, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



Jim Keogh
Partner

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS

Dated this 28th day of November 2016