



City of Mount Gambier

# Financial Statements

## 2010/2011

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**CITY OF MOUNT GAMBIER**  
**General Purpose Financial Reports**  
**for the year ended 30 June 2011**

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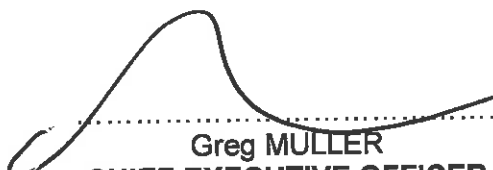
# CITY OF MOUNT GAMBIER

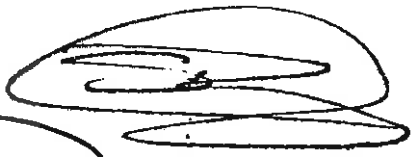
## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

### 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 2011 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.

  
.....  
Greg MULLER  
CHIEF EXECUTIVE OFFICER

  
.....  
Steve PERRYMAN  
MAYOR

Date: 15<sup>th</sup> NOVEMBER 2011



**CITY OF MOUNT GAMBIER**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>INCOME</b>			
Rates	2	13,872	12,689
Statutory charges	2	340	421
User charges	2	2,293	1,743
Grants, subsidies and contributions	2	2,024	2,315
Investment income	2	327	333
Reimbursements	2	502	999
Other income	2	274	234
<b>Total Income</b>		<u>19,632</u>	<u>18,734</u>
<b>EXPENSES</b>			
Employee costs	3	7,286	6,611
Materials, contracts & other expenses	3	8,136	6,858
Depreciation, amortisation & impairment	3	4,995	4,622
Finance costs	3	325	369
<b>Total Expenses</b>		<u>20,742</u>	<u>18,460</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(1,110)</b>	<b>274</b>
Asset disposal & fair value adjustments	4	290	97
Amounts received specifically for new or upgraded assets	2	2,792	2,083
Physical resources received free of charge	2	-	220
<b>NET SURPLUS / (DEFICIT)</b>		<u>1,972</u>	<u>2,674</u>
transferred to Equity Statement			
Other Comprehensive Income		-	-
<b>Total Other Comprehensive Income</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,972</u>	<u>2,674</u>

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



**CITY OF MOUNT GAMBIER**

**BALANCE SHEET**

as at 30 June 2011

<b>ASSETS</b>	Notes	<b>2011 \$'000</b>	<b>2010 \$'000</b>
<b>Current Assets</b>			
Cash and cash equivalents	5	8,298	9,696
Trade & other receivables	5	2,264	1,181
Inventories	5	35	44
<b>Total Current Assets</b>		<u><b>10,597</b></u>	<u><b>10,921</b></u>
<b>Non-current Assets</b>			
Financial Assets	6	350	457
Infrastructure, Property, Plant & Equipment	7	136,970	130,998
<b>Total Non-current Assets</b>		<u><b>137,320</b></u>	<u><b>131,455</b></u>
<b>Total Assets</b>		<u><b>147,917</b></u>	<u><b>142,376</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8	1,527	1,370
Borrowings	8	758	711
Provisions	8	1,736	1,321
<b>Total Current Liabilities</b>		<u><b>4,021</b></u>	<u><b>3,402</b></u>
<b>Non-current Liabilities</b>			
Borrowings	8	8,356	5,170
Provisions	8	251	487
<b>Total Non-current Liabilities</b>		<u><b>8,607</b></u>	<u><b>5,657</b></u>
<b>Total Liabilities</b>		<u><b>12,628</b></u>	<u><b>9,059</b></u>
<b>NET ASSETS</b>		<u><b>135,289</b></u>	<u><b>133,317</b></u>
<b>EQUITY</b>			
Accumulated Surplus		53,620	45,893
Asset Revaluation Reserves	9	78,235	78,235
Other Reserves	9	3,434	9,189
<b>TOTAL EQUITY</b>		<u><b>135,289</b></u>	<u><b>133,317</b></u>

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



# CITY OF MOUNT GAMBIER

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2011

2011	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period		45,893	78,235	9,189	133,317
Restated opening balance		45,893	78,235	9,189	133,317
Net Surplus / (Deficit) for Year		1,972			1,972
Other Comprehensive Income					
Transfers between reserves		5,755	-	(5,755)	-
<b>Balance at end of period</b>		<b>53,620</b>	<b>78,235</b>	<b>3,434</b>	<b>135,289</b>
2010					
Balance at end of previous reporting period		41,518	78,235	10,890	130,643
Restated opening balance		41,518	78,235	10,890	130,643
Net Surplus / (Deficit) for Year		2,674			2,674
Other Comprehensive Income					
Transfers between reserves		1,701	-	(1,701)	-
<b>Balance at end of period</b>		<b>45,893</b>	<b>78,235</b>	<b>9,189</b>	<b>133,317</b>

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



## CITY OF MOUNT GAMBIER

### CASH FLOW STATEMENT for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Operating receipts		20,060	20,477
Investment receipts		350	289
<u>Payments</u>			
Operating payments to suppliers & employees		(16,822)	(15,733)
Finance payments		(332)	(382)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>3,256</b>	<b>4,651</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		2,792	2,083
Sale of replaced assets		390	237
Repayments of loans by community groups		88	89
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,946)	(2,559)
Expenditure on new/upgraded assets		(8,121)	(5,967)
Loans made to community groups		(90)	(30)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(7,887)</b>	<b>(6,147)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from Borrowings		3,944	-
<u>Payments</u>			
Repayments of Borrowings		(711)	(849)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>3,233</b>	<b>(849)</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(1,398)</b>	<b>(2,345)</b>
Cash & cash equivalents at beginning of period	10	9,696	12,041
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>8,298</b>	<b>9,696</b>

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



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

#### 1 Basis of Preparation

##### 1.1 Compliance with Australian Accounting Standards

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

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

##### 1.2 Historical Cost Convention

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

##### 1.3 Critical Accounting Estimates

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

##### 1.4 Rounding

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

#### 2 The Local Government Reporting Entity

City of Mount Gambier is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Watson Terrace, Mount Gambier. These financial statements include the consolidated fund and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council Office by any person free of charge.

#### 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.





## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

##### 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 12.

##### 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 Initial Recognition

All assets are initially recognised at cost.

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.

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

###### 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 & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$1,000
Park & Playground Furniture & Equipment	\$1,000
Road construction & reconstruction	\$1,000
Paving & footpaths, Kerb & Gutter	\$1,000
Drains & Culverts	\$1,000



## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

##### 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.

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

Plant, Furniture & Equipment	
Office Equipment	4 years
Vehicles and Road-making Equip	8 to 15 years
Other Plant & Equipment	5 years
Building & Other Structures	
Buildings / Structures	5 to 20 years
Infrastructure	
Sealed Roads	40 years
Bridges	30 years
Footpaths / Kerbing	50 years
Drains	100 years
Other Assets	
Library Books	6.67 years

##### 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.

## 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.



**City of Mount Gambier**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

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

**7.2 Payments Received in Advance & Deposits**

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

**8 Borrowings**

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

**9 Employee Benefits**

**9.1 Salaries, Wages & Compensated Absences**

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

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

Weighted average discount rate	4.90% (2010, 4.76%)
Weighted average settlement period	1 year (2010, 1 year)

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

**9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

**10 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".



## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

##### 11 Leases

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

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

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

##### 12 GST Implications

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

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

##### 13 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2011 reporting period and have not been used in preparing these reports.

- AASB 1 *First-time Adoption of Australian Accounting Standards*
- AASB 3 *Business Combinations*
- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 8 *Operating Segments*
- AASB 9 *Financial Instruments*
- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 110 *Events after the Reporting Period*
- AASB 118 *Revenue*
- AASB 119 *Employee Benefits*
- AASB 132 *Financial Instruments: Presentation*
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 140 *Investment Property*
- AASB 1031 *Materiality*
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]*
- AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 1023 & 1032 and Interpretations 2, 4, 16, 1039 & 1052]*
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 3, 7, 121, 128, 131, 132 & 139]*



**City of Mount Gambier**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

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

- AASB 2010-5 Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
  - AASB 2010-6 Amendments to Australian Accounting Standards [AASBs 1 & 7]
  - AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19, & 127]
  - Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- (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.



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 2 - INCOME

	Notes	2011 \$'000	2010 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		13,583	12,292
Less: Discretionary rebates, remissions & write offs		(119)	(51)
		13,464	12,241
<u>Other Rates</u> (Including service charges)			
Natural Resource Management levy		480	467
		480	467
<u>Other Charges</u>			
Penalties for late payment		47	32
		47	32
Less: Discretionary rebates, remissions & write offs		(119)	(51)
		13,872	12,689
<b>STATUTORY CHARGES</b>			
Development Act fees		100	116
Town planning fees		102	155
Animal registration fees & fines		117	115
Parking fines / expiation fees		14	21
Other registration fees		7	13
Sundry			1
		340	421
<b>USER CHARGES</b>			
Cemetery/crematoria fees		542	511
Green Waste Collection		356	337
Hall & equipment hire		40	39
Sales - general		1,213	746
Sundry		142	110
		2,293	1,743
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		309	307
Banks & other		15	23
Loans to community groups		3	3
		327	333



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### NOTE 2 - INCOME (continued)

	Notes	2011 \$'000	2010 \$'000
<b>REIMBURSEMENTS</b>			
- for roadworks		193	244
- for private works		180	619
- other		129	138
		<b>502</b>	<b>999</b>
<b>OTHER INCOME</b>			
Insurance & other recoupments - Infrastructure, property, plant & equipment		222	181
Donations		37	70
Sundry		15	3
		<b>274</b>	<b>234</b>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		2,792	2,083
Other grants, subsidies and contributions		1,472	1,810
Individually significant item - additional Grants Commission payment	see below	552	505
		<b>4,816</b>	<b>4,398</b>
<i>The functions to which these grants relate are shown in Note 11.</i>			
<b>Sources of grants</b>			
Commonwealth government		927	708
State government		3,889	3,690
		<b>4,816</b>	<b>4,398</b>

#### **Individually Significant Item**

On 28 June 2010, Council received payment of the first instalment of the 2010/11 Grant Commission (FAG) grant. Similarly, on 28 June 2011 Council received payment of the first instalment of the 2011/12 grant. It is not known when the timing of these grant payments will be restored to normal schedule, but this will materially adversely affect Council's operating results as these amounts are recognised as income upon receipt.

552

505



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### NOTE 2 - INCOME (continued)

	2011 Notes \$'000	2010 \$'000
<b>Conditions over grants &amp; contributions</b>		
<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>	500	2,500
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>New Library &amp; Main Corner Developments</i>	(500)	(2,500)
<i>Subtotal</i>	(500)	(2,500)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>New Library &amp; Main Corner Developments</i>	-	500
<i>Subtotal</i>	-	500
<i>Unexpended at the close of this reporting period</i>	-	500
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	(500)	(2,000)
 <b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>		
Roads, Bridges & Footpaths	-	220
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>	-	220





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 3 - EXPENSES

	Notes	2011 \$'000	2010 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		6,594	5,967
Employee leave expense		166	289
Superannuation	16	643	545
Workers' Compensation Insurance		160	129
Other		47	46
Less: Capitalised and distributed costs		<u>(324)</u>	<u>(365)</u>
<b>Total Operating Employee Costs</b>		<u><b>7,286</b></u>	<u><b>6,611</b></u>
 <b>Total Number of Employees</b>		 <b>108</b>	 <b>106</b>
<i>(Full time equivalent at end of reporting period)</i>			
 <b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		16	16
- Other Services		-	-
Elected members' expenses		356	242
Election expenses		1	2
<b>Subtotal - Prescribed Expenses</b>		<u><b>373</b></u>	<u><b>260</b></u>
 <u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		3,293	2,301
Energy		640	543
Maintenance		14	28
Legal Expenses		107	51
Levies paid to government - NRM levy		478	466
Parts, accessories & consumables		1,933	1,802
Professional services		63	41
Sundry		1,235	1,366
<b>Subtotal - Other Materials, Contracts &amp; Expenses</b>		<u><b>7,763</b></u>	<u><b>6,598</b></u>
		<u><b>8,136</b></u>	<u><b>6,858</b></u>
 <b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		2,392	2,222
Infrastructure		1,382	1,289
Plant & Equipment		784	776
Minor Plant		30	30
Office Equipment		208	92
Other		199	213
		<u><b>4,995</b></u>	<u><b>4,622</b></u>
 <b>FINANCE COSTS</b>			
Interest on Borrowings		<u><b>325</b></u>	<u><b>369</b></u>
		<u><b>325</b></u>	<u><b>369</b></u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

	2011 Notes \$'000	2010 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	390	237
Less: Carrying amount of assets sold	<u>100</u>	<u>140</u>
<b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	<u>290</u>	<u>97</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 5 - CURRENT ASSETS

	Notes	2011 \$'000	2010 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		4,597	1,311
Deposits at Call		3,701	8,385
		<u>8,298</u>	<u>9,696</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		298	252
Accrued Revenues		91	114
Debtors - general		1,355	416
GST Recoupment		324	43
Prepayments		-	269
Loans to community organisations		196	87
		<u>2,264</u>	<u>1,181</u>
<b>INVENTORIES</b>			
Stores & Materials		22	32
Trading Stock		13	12
		<u>35</u>	<u>44</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.*



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 6 - NON-CURRENT ASSETS

<b>FINANCIAL ASSETS</b>	<b>Notes</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Receivables			
Loans to community organisations		<u>350</u>	<u>457</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u><b>350</b></u>	<u><b>457</b></u>



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

	2010 \$'000				2011 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	27,435	577	-	28,012	27,435	928	-	28,363
Buildings & Other Structures	48,389	12,884	(8,133)	53,120	48,389	18,382	(10,526)	56,215
Infrastructure	40,010	8,386	(4,778)	43,618	40,010	11,413	(6,160)	45,263
Plant & Equipment	2,383	3,318	(2,244)	3,457	2,383	4,391	(2,233)	4,541
Minor Plant	30	174	(109)	95	30	218	(139)	109
Office Equipment	75	1,384	(169)	1,290	75	1,520	(377)	1,218
Other	1,936	445	(975)	1,406	1,936	499	(1,174)	1,261
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>120,258</b>	<b>27,148</b>	<b>(16,408)</b>	<b>130,998</b>	<b>120,258</b>	<b>37,321</b>	<b>(20,609)</b>	<b>136,970</b>
<i>Comparatives</i>	<b>120,552</b>	<b>18,406</b>	<b>(11,944)</b>	<b>127,014</b>	<b>120,258</b>	<b>27,148</b>	<b>(16,408)</b>	<b>130,998</b>

*This Note continues on the following pages.*



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

	2010 \$'000 CARRYING AMOUNT	CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000					2011 \$'000 CARRYING AMOUNT
		Additions		Disposals	Depreciation		
		New/Upgrade	Renewals				
Land	28,012	351	-	-	-	28,363	
Buildings & Other Structures	53,120	5,269	218	-	(2,392)	56,215	
Infrastructure	43,618	2,321	706	-	(1,382)	45,263	
Plant & Equipment	3,457	-	1,968	(100)	(784)	4,541	
Minor Plant	95	44	-	-	(30)	109	
Office Equipment	1,290	136	-	-	(208)	1,218	
Other	1,406	-	54	-	(199)	1,261	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>130,998</b>	<b>8,121</b>	<b>2,946</b>	<b>(100)</b>	<b>(4,995)</b>	<b>136,970</b>	
	<b>127,014</b>	<b>5,967</b>	<b>2,777</b>	<b>(138)</b>	<b>(4,622)</b>	<b>130,998</b>	

*Comparatives*  
This Note continues on the following pages.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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

#### Valuation of Assets

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

#### **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 2006 at current replacement cost. Additions are recognised at cost.

#### **Buildings & Other Structures**

Pursuant to Council's election, buildings and other structures are recognised on the cost basis, originally deriving from a valuation at 30 June 2006 at current replacement cost by Maloney Field Services. Additions are recognised at cost or determined by Council officers.

#### **Infrastructure**

Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 2007 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2007 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2007. All acquisitions made after the respective dates of valuation are recorded at cost.

#### **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.



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 8 - LIABILITIES

	Notes	2011 \$'000		2010 \$'000	
		Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		1,085	-	1,067	-
Payments received in advance		195	-	37	-
Accrued expenses - employee entitlements		215	-	227	-
Accrued expenses - other		32	-	39	-
		<u>1,527</u>	<u>-</u>	<u>1,370</u>	<u>-</u>
<b>BORROWINGS</b>					
Loans		758	8,356	711	5,170
		<u>758</u>	<u>8,356</u>	<u>711</u>	<u>5,170</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)		1,736	251	1,321	487
		<u>1,736</u>	<u>251</u>	<u>1,321</u>	<u>487</u>





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2010	Net Increments (Decrements)	Transfers, Impairments	30/6/2011
Notes	\$'000	\$'000	\$'000	\$'000
Land	19,346	-	-	19,346
Buildings & Other Structures	43,354	-	-	43,354
Infrastructure	12,645	-	-	12,645
Plant & Equipment	69	-	-	69
Minor Plant	2,821	-	-	2,821
<b>TOTAL</b>	<b>78,235</b>	<b>-</b>	<b>-</b>	<b>78,235</b>
<i>Comparatives</i>	<i>78,235</i>	<i>-</i>	<i>-</i>	<i>78,235</i>

OTHER RESERVES	1/7/2010	Transfers to Reserve	Transfers from Reserve	30/6/2011
Long Service Leave	615	157	(96)	676
Off Street Car Park	391	109	(310)	190
Plant Replacement	1,395	477	(500)	1,372
Lady Nelson Park Development	130	26	(150)	6
Asset Replacement	1,257	134	(1,391)	0
Land Division - Outstanding work	232	-	-	232
Downstream Drainage	102	20	-	122
Work in Progress	4,089	-	(4,089)	0
City Centre Improvement	648	28	-	676
Major Capital Works	183	2,508	(2,689)	2
Mount Gambier Cemetery Trust	98	5	-	103
Junior Sporting Fund	49	6	-	55
<b>TOTAL OTHER RESERVES</b>	<b>9,189</b>	<b>3,470</b>	<b>(9,225)</b>	<b>3,434</b>
<i>Comparatives</i>	<i>10,890</i>	<i>6,165</i>	<i>(7,866)</i>	<i>9,189</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 and available-for-sale financial assets.

##### Other Reserves

###### Long Service Leave

- established to fund City of Mount Gambier employee long service leave entitlements
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations, interest received and funds from other employers in respect of transferred employees

###### Off Street Car Parking Reserve

- established to fund off street car parking initiatives in the Mount Gambier City Centre precinct
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations and interest received



**Plant Replacement**

- established to fund Council's plant and machinery fleet requirements
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations, interest received, sales etc

**Lady Nelson Park Development**

- established to fund any development works that may occur at The Lady Nelson site
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations and interest received

**Asset Replacement**

- established to fund the City of Mount Gambier Asset replacement/renewal requirements
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations, interest received, any sales etc

**Land Division Outstanding Works**

- funds held in trust to ensure land division obligations are completed
- ongoing Reserve Fund
- transfers from the Fund are made as and when land division obligations are certified as completed
- transfers to the Fund are funds deposited by developers in respect of their land division obligations

**Downstream Drainage**

- funds contributed by developers and held by Council to complete drainage obligations
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund are developer contributions and interest received

**Work In Progress**

- established to fund Council works and projects that are carried over from one budgetary year to the next
- ongoing Reserve Fund
- transfers from the Fund are as and when required with works and projects normally completed in the year following
- transfers to the Fund include funds for works and projects that have been allocated in one budget year but not completed in that year

**City Centre Improvement**

- established to fund improvements and initiatives in the Mount Gambier City Centre precinct
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations and interest received

**Major Capital Works**

- established to assist Council fund impending major capital works projects
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations and interest received

**Mount Gambier Cemetery Trust**

- established to fund any development works or projects that may be required at the Carinya Gardens Cemetery and Crematorium
- ongoing Reserve Fund
- transfers from the Fund are made as and when required
- transfers to the Fund include Cemetery Trust budgetary allocations and interest received

**Junior Sporting Fund**

- established to fund the operations of the Mount Gambier Junior Sporting Fund
- ongoing Reserve Fund



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 10 - 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	2011 \$'000	2010 \$'000
Total cash & equivalent assets	5	8,298	9,696
Balances per Cash Flow Statement		8,298	9,696

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

Net Surplus (Deficit)	1,972	2,674
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	4,995	4,622
Net increase (decrease) in unpaid employee benefits	179	289
Non-cash asset acquisitions	-	(220)
Grants for capital acquisitions treated as Investing Activity	(2,792)	(2,083)
Net (Gain) Loss on Disposals	(280)	(97)
	4,064	5,185
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(974)	361
Net (Increase) decrease in inventories	9	(13)
Net increase (decrease) in trade & other payables	157	(882)
<b>Net Cash provided by (or used in) operations</b>	<b>3,256</b>	<b>4,651</b>

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

Acquisition of assets by means of:

- Physical resources received free of charge	2	-	220
		-	220

**(d) Financing Arrangements**

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

Bank Overdrafts	3,056	-
Corporate Credit Cards	15	15

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 11 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES											
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2010	2010	2011	2010	
	2011	2010	2011	2010	2011	2010	\$'000	\$'000	\$'000	\$'000	
Administration / Support Services	15,678	14,603	4,450	3,671	11,228	10,932	1,900	1,915	11,290	10,867	
Community Services	993	653	3,396	1,280	(2,403)	(627)	124	19	10,516	10,122	
Culture	109	378	963	2,245	(854)	(1,867)	-	88	22,994	22,133	
Economic Development	391	247	1,298	1,057	(907)	(810)	-	30	3,485	3,364	
Environment	1,094	716	3,395	3,019	(2,301)	(2,303)	-	-	4,831	4,650	
Recreation	90	134	2,650	2,482	(2,560)	(2,348)	-	-	31,913	30,718	
Regulatory Services	347	421	1,069	1,001	(722)	(580)	-	-	-	-	
Transport	248	507	1,760	1,720	(1,512)	(1,213)	-	263	42,726	41,125	
Engineering/ Indirect	-	-	772	847	(772)	(847)	-	-	5,142	4,949	
Unclassified Activities	682	1,075	989	1,138	(307)	(63)	-	-	15,010	14,448	
<b>TOTALS</b>	<b>19,632</b>	<b>16,734</b>	<b>20,742</b>	<b>18,460</b>	<b>(1,110)</b>	<b>274</b>	<b>2,024</b>	<b>2,315</b>	<b>147,917</b>	<b>142,376</b>	

Excludes 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.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 11 (cont) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### **Administration / Support Services**

Governance, 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, and Separate and Special Rates.

#### **Community Services**

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control – Health, Immunisation, Preventive Health Services, Other Health Services, Community Support, Other Services for the Aged and Disabled, Children and youth Services, community Assistance, Other Community Support, Community Amenities, Bus Shelters, Cemeteries/Crematoria, public Conveniences, Car Parking – non-fee-paying, and Other Community Amenities.

#### **Culture**

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

#### **Economic Development**

Regional Development, Tourism, and Other Economic Development and activities.

#### **Environment**

Animal/Plant Boards, Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Other Waste Management, Other Environment, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

#### **Recreation**

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

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, and Other Transport.

#### **Engineering / Indirect**

Engineering office expenses, AWU employee's expenses and entitlements, depot expenses, plant and machinery expenses.

#### **Unclassified Activities**

Finance charges and Investment revenue, private works and sundry property maintenance.



## CITY OF MOUNT GAMBIER

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

#### Note 12 - FINANCIAL INSTRUMENTS

**Recognised Financial Instruments**

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 4% and 4.75% (2010: 2.75% and 7.0%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legal fees &amp; penalties for late payment)</b> Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 0.75% (2010: 0.58%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth &amp; State.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Interest Bearing Borrowings</b>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.05% and 6.9% (2010: 5.05% and 7.9%)</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Finance Leases</b>	<p><b>Accounting Policy:</b> accounted for in accordance with AASB 117.</p>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 12 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2011	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	8,298	-	-	8,298	8,298
Receivables	1,496	435	61	1,992	1,992
<b>Total</b>	<b>9,794</b>	<b>435</b>	<b>61</b>	<b>10,290</b>	<b>10,290</b>
<b>Financial Liabilities</b>					
Payables	1,280	-	-	1,280	1,280
Borrowings	758	1,221	7,135	9,114	9,114
<b>Total</b>	<b>2,038</b>	<b>1,221</b>	<b>7,135</b>	<b>10,394</b>	<b>10,394</b>
2010	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	9,696	-	-	9,696	9,696
Receivables	886	307	150	1,343	1,343
<b>Total</b>	<b>10,582</b>	<b>307</b>	<b>150</b>	<b>11,039</b>	<b>11,039</b>
<b>Financial Liabilities</b>					
Payables	1,104	-	-	1,104	1,104
Borrowings	711	1,795	3,375	5,881	5,881
<b>Total</b>	<b>1,815</b>	<b>1,795</b>	<b>3,375</b>	<b>6,985</b>	<b>6,985</b>

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

	30 June 2011		30 June 2010	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates		1,280		1,104
Fixed Interest Rates	6.50%	9,114	6.12%	5,881
		<u>10,394</u>		<u>6,985</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 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.



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 13 - FINANCIAL INDICATORS

2011                      2010                      2009

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.

<b>Operating Surplus</b>	\$'000	(1,110)	274	976
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*Being the operating surplus (deficit) before capital amounts.*

<b>Adjusted Operating Surplus</b>		(1,157)	226	519
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*In each of June 2009, 2010 and 2011 the Commonwealth Government made an advance payment of one quarterly payment of the Financial Assistance Grant (see Note 3). Accordingly there were five "quarterly" payments in 2009, and four payments in each of 2010 and 2011. The Adjusted Operating Surplus and Adjusted Operating Surplus Ratio adjust for this distortion.*

<b>Operating Surplus Ratio</b>				
<u>Operating Surplus</u>		(8%)	2%	8%
Rates - general & other less NRM levy				

<b>Adjusted Operating Surplus Ratio</b>		(9%)	2%	4%
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*This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.*

<b>Net Financial Liabilities</b>	\$'000	1,716	(2,275)	(3,598)
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*Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).*

<b>Net Financial Liabilities Ratio</b>				
<u>Net Financial Liabilities</u>		9%	(12%)	(20%)
Total Operating Revenue less NRM levy				

<b>Interest Cover Ratio</b>				
<u>Net Interest Expense</u>		(0.0%)	0.2%	(1.2%)
Total Operating Revenue less NRM levy less Investment Income				

<b>Asset Sustainability Ratio</b>				
<u>Net Asset Renewals</u>		51%	50%	68%
Depreciation Expense				

*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.*

<b>Asset Consumption Ratio</b>				
<u>Carrying value of depreciable assets</u>		84%	86%	89%
Gross value of depreciable assets				

*Total carrying value of depreciable assets divided by total reported value of depreciable assets before accumulated depreciation.*





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 14 - 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

	2011 \$'000	2010 \$'000
Income	19,632	18,734
less Expenses	<u>20,742</u>	<u>18,460</u>
<b>Operating Surplus / (Deficit)</b>	<b>(1,110)</b>	<b>274</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	2,946	2,559
less Depreciation, Amortisation and Impairment	4,995	4,622
less Proceeds from Sale of Replaced Assets	<u>390</u>	<u>237</u>
	<b>(2,439)</b>	<b>(2,300)</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property &amp; real estate developments)</i>	8,121	5,967
less Amounts received specifically for New and Upgraded Assets	2,792	2,083
less Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	-	-
	<u>5,329</u>	<u>3,884</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(4,000)</b>	<b>(1,310)</b>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 15 - OPERATING LEASES

#### *Lease payment commitments of Council*

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

Contingent rental payments exist in relation to the lease of one grader if utilisation exceeds 250 hours during any month. No contingent rentals were paid during the current or previous reporting periods.

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:

	2011 \$'000	2010 \$'000
Not later than one year	64	62
Later than one year and not later than 5 years	91	28
	<u>155</u>	<u>90</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 16 – 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. Permanent and contract employees of the South Australian Local Government sector 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% in 2010/11 for Marketlink members and 3% for Salarylink members; 9% and 3% respectively in 2009/10). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

#### Salarylink (Defined Benefit) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6% (6% in 2009/10) of "superannuation" salary. Given that Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation, the remaining 3% for Salarylink members is allocated 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 Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, 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.

Brett, BSc., FIA, FIAA, of Brett and Watson Pty-Ltd as at 30 June 2009, the Trustee has determined that the current funding arrangements are adequate for the expected Defined Benefit Plan liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2011

### Note 17 - 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 234.5 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.



**CITY OF MOUNT GAMBIER**


**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 June 2011**

**CERTIFICATION OF AUDITOR INDEPENDENCE**

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier for the year ended 30 June 2011, the Council's Auditor, Galpins Accountants, Auditors and Business Consultants, 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*.

  
.....  
Greg MULLER  
CHIEF EXECUTIVE OFFICER

  
.....  
Donald CURRIE  
PRESIDING MEMBER  
AUDIT COMMITTEE

Date: 15<sup>TH</sup> NOVEMBER