



City of Mount Gambier

FINANCIAL STATEMENTS

2008 / 2009

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City of Mount Gambier
General Purpose Financial Reports
for the year ended 30 June 2009

TABLE OF CONTENTS

	<u>Page</u>
Principal Financial Statements	
Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Cash Flow Statement	4
 Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	N1
Note 2 - Income	N7
Note 3 - Expenses	N9
Note 4 - Gain or Loss on Disposal of Assets	N11
Note 5 - Current Assets	N12
Note 6 - Non-Current Assets	N13
Note 7 - Infrastructure, Property, Plant & Equipment & Investment Property	N14
Note 8 - Liabilities	N17
Note 9 - Reserves	N18
Note 10 - Reconciliation of Cash Flow Statement	N20
Note 11 - Functions	N21
Note 12 - Financial Instruments	N23
Note 13 - Financial Indicators	N25
Note 14 - Uniform Presentation of Finances	N26
Note 15 - Operating Leases	N27
Note 16 - Superannuation	N28
Note 17 - Assets & Liabilities not Recognised	N29
 CEO Statement	
Audit Report	
Council Certificate of Audit Independence	
Audit Certificate of Audit Independence	



City of Mount Gambier

INCOME STATEMENT for the year ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
INCOME			
Rates	2	12,166	11,431
Statutory charges	2	418	339
User charges	2	1,579	1,505
Grants, subsidies and contributions	2	2,789	1,813
Investment income	2	411	586
Reimbursements	2	944	537
Other income	2	194	421
Total Income		18,501	16,632
EXPENSES			
Employee costs	3	6,082	5,453
Materials, contracts & other expenses	3	7,005	6,035
Finance costs	3	195	231
Depreciation, amortisation & impairment	3	4,243	4,056
Total Expenses		17,525	15,775
OPERATING SURPLUS / (DEFICIT)		976	858
Net gain (loss) on disposal or revaluation of assets	4	203	64
Amounts received specifically for new or upgraded assets	2	3,539	736
Physical resources received free of charge	2	762	-
NET SURPLUS / (DEFICIT)		5,480	1,658

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

City of Mount Gambier

BALANCE SHEET as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	12,041	9,369
Trade & other receivables	5	1,544	868
Inventories	5	31	29
Total Current Assets		13,616	10,266
Non-current Assets			
Financial Assets	6	514	322
Infrastructure, Property, Plant & Equipment	7	127,014	120,033
Total Non-current Assets		127,528	120,355
Total Assets		141,144	130,621
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8	2,158	907
Borrowings	8	850	763
Provisions	8	1,227	1,066
Total Current Liabilities		4,235	2,736
Non-current Liabilities			
Trade & Other Payables	8	50	50
Borrowings	8	5,880	2,449
Provisions	8	336	223
Total Non-current Liabilities		6,266	2,722
Total Liabilities		10,501	5,458
NET ASSETS		130,643	125,163
EQUITY			
Accumulated Surplus		41,518	37,510
Asset Revaluation Reserve	9	78,235	78,235
Other Reserves	9	10,890	9,418
TOTAL EQUITY		130,643	125,163

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 2009

	2009 \$'000	2008 \$'000
Notes		
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	37,510	37,364
Net Surplus / (Deficit) for Year	5,480	1,658
Transfers to Other Reserves	(9,146)	(5,322)
Transfers from Other Reserves	7,674	3,810
Balance at end of period	41,518	37,510
ASSET REVALUATION RESERVE		
9		
Balance at end of previous reporting period	78,235	78,230
Gain on revaluation of infrastructure, property, plant & equipment	-	5
Balance at end of period	78,235	78,235
OTHER RESERVES		
9		
Balance at end of previous reporting period	9,418	7,906
Transfers from Accumulated Surplus	9,146	5,322
Transfers to Accumulated Surplus	(7,674)	(3,810)
Balance at end of period	10,890	9,418
TOTAL EQUITY AT END OF REPORTING PERIOD	130,643	125,163
<i>Total of all revenues recognised directly in Equity</i>	-	5
NET CHANGE IN EQUITY	-	5

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 2009

	2009	2008
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Receipts</u>		
Operating receipts	18,983	16,647
Investment receipts	595	487
<u>Payments</u>		
Operating payments to suppliers & employees	(13,305)	(12,451)
Finance payments	(194)	(243)
Net Cash provided by (or used in) Operating Activities	6,079	4,441
CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Receipts</u>		
Amounts specifically for new or upgraded assets	3,539	736
Sale of replaced assets	527	226
Repayments of loans by community groups	77	75
<u>Payments</u>		
Expenditure on renewal/replacement of assets	(3,409)	(1,843)
Expenditure on new/upgraded assets	(7,377)	(1,996)
Loans made to community groups	(282)	(51)
Net Cash provided by (or used in) Investing Activities	(6,925)	(2,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Receipts</u>		
Proceeds from Borrowings	4,282	-
<u>Payments</u>		
Repayments of Borrowings	(764)	(714)
Net Cash provided by (or used in) Financing Activities	3,518	(714)
Net Increase (Decrease) in cash held	2,672	874
Cash & cash equivalents at beginning of period	10 9,369	8,495
Cash & cash equivalents at end of period	10 12,041	9,369

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 2009

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 equivalents to International Financial Reporting Standards

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The financial report was authorised for issue by certificate under clause 11 of the *Local Government (Financial Management) Regulations 1999*.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest 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.



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 1 - Significant Accounting Policies (cont)

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.

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.

5.1 Real Estate Assets Developments

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

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

5.2 Other Real Estate held for resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

6 Infrastructure, Property, Plant & Equipment

6.1 Transitional Provisions

As at 1 July 2008, Council has elected not to recognise any values for land under roads acquired before the commencement of AASB 1051 *Land Under Roads*. Details of the effects of this election are given in Note 7.

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".



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 1 - Significant Accounting Policies (cont)

6.2 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

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

6.3 Materiality

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

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$1,000
Park & Playground Furniture & Equipment	\$1,000
Road construction & reconstruction	\$1,000
Paving & footpaths, Kerb & Gutter	\$1,000
Drains & Culverts	\$1,000
Reticulation extensions	\$1,000
Sidelines & household connections	\$1,000
Artworks	\$1,000

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives in a manner which reflects the consumption of the service potential embodied in those assets.

Depreciation is recognised on a straight-line basis. 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



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 1 - Significant Accounting Policies (cont)

Other Assets

Library Books

6.67 years

6.6 Impairment

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

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

6.7 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with the allowed alternative treatment in AASB 1023 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

7.25% (2008, 6.68%)

Weighted average settlement period

1 year (2008, 1 year)

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 1 - Significant Accounting Policies (cont)

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".

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 as assets under lease, and are amortised to expense over the period during which the Council is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

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

12 GST Implications

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

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

13 Comparative Information

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

14 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2009 reporting period.

- AASB 3 *Business Combinations*
- AASB 101 *Presentation of Financial Statements*



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 1 - Significant Accounting Policies (cont)

- AASB 123 *Borrowing Costs*
- AASB 127 *Consolidated and Separate Financial Statements*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*
- AASB 2007-8 & AASB 2007-10 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*
- AASB 2008-5 & AASB 2008-6 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- AASB 2008-8 *Amendments to Australian Accounting Standards - Eligible Hedged Items*
- AASB 2008-9 *Amendments to AASB 1049 for Consistency with AASB 101*
- AASB 2008-11 *Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities*
- AASB 2008-12 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition*
- AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners*
- *Interpretation 15* *Agreements for the Construction of Real Estate*
- *Interpretation 16* *Hedges of a Net Investment in a Foreign Operation*
- *Interpretation 17* *Distributions of Non-cash Assets to Owners*
- *Interpretation 18* *Transfers of Assets from Customers*
- (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.



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 2 - INCOME

	Notes	2009 \$'000	2008 \$'000
RATES REVENUES			
<u>General Rates</u>		11,800	11,082
Less: Discretionary rebates, remissions & write offs		(54)	(55)
		<u>11,746</u>	<u>11,027</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		444	430
		<u>444</u>	<u>430</u>
<u>Other Charges</u>			
Penalties for late payment		30	29
		<u>30</u>	<u>29</u>
Less: Discretionary rebates, remissions & write offs		(54)	(55)
		<u>12,166</u>	<u>11,431</u>
STATUTORY CHARGES			
Development Act fees		149	126
Town planning fees		143	102
Animal registration fees & fines		106	84
Parking fines / expiation fees		13	22
Other registration fees		5	5
Sundry		2	-
		<u>418</u>	<u>339</u>
USER CHARGES			
Cemetery/crematoria fees		533	459
Green Waste Collection		310	255
Hall & equipment hire		25	25
Parking fees		4	10
Sales - general		606	648
Sundry		101	108
		<u>1,579</u>	<u>1,505</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		374	519
Banks & other		34	63
Loans to community groups		3	4
		<u>411</u>	<u>586</u>

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

NOTE 2 - INCOME (continued)

	Notes	2009 \$'000	2008 \$'000
REIMBURSEMENTS			
- for roadworks		206	235
- for private works		718	238
- other		20	64
		<u>944</u>	<u>537</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		192	290
Pine Tree Royalties		-	129
Sundry		2	2
		<u>194</u>	<u>421</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		3,539	736
Other grants, subsidies and contributions		2,789	1,813
		<u>6,328</u>	<u>2,549</u>

The functions to which these grants relate are shown in Note 11.

Sources of grants

Commonwealth government	843	147
State government	5,485	2,402
	<u>6,328</u>	<u>2,549</u>

Notes	2009 \$'000	2008 \$'000
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Conditions over grants & contributions

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:

Unexpended at the close of the previous reporting period	-	-
Less: expended during the current period from revenues recognised in previous reporting periods		
New Library & Main Corner Developments	2,500	-
Subtotal	<u>2,500</u>	<u>-</u>
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
New Library & Main Corner Developments	-	-
Subtotal	<u>-</u>	<u>-</u>
Unexpended at the close of this reporting period	<u>2,500</u>	<u>-</u>
Net increase (decrease) in assets subject to conditions in the current reporting period	<u>2,500</u>	<u>-</u>

PHYSICAL RESOURCES RECEIVED FREE OF CHARGE

Roads & Footpaths	762	-
TOTAL PHYSICAL RESOURCES RECEIVED	<u>762</u>	<u>-</u>



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 3 - EXPENSES

	Notes	2009 \$'000	2008 \$'000
EMPLOYEE COSTS			
Salaries and Wages		5,544	5,107
Employee leave expense		310	121
Superannuation - defined contribution plan contributions	16	466	438
Workers' Compensation Insurance		129	110
Other		22	46
Less: Capitalised and distributed costs		(389)	(369)
Total Operating Employee Costs		6,082	5,453
Total Number of Employees		111	110
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		14	14
Elected members' expenses		240	229
Subtotal - Prescribed Expenses		254	243
<u>Other Materials, Contracts & Expenses</u>			
Contractors		2,304	2,072
Energy		496	461
Maintenance		35	24
Legal Expenses		108	33
Levies paid to government - NRM levy		442	429
Parts, accessories & consumables		2,205	1,789
Professional services		239	162
Sundry		922	822
Subtotal - Other Materials, Contracts & Expenses		6,751	5,792
		7,005	6,035



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 3 - EXPENSES (cont)

	Notes	2009 \$'000	2008 \$'000
FINANCE COSTS			
Interest on Loans		<u>195</u>	<u>231</u>
		<u>195</u>	<u>231</u>
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,005	1,977
Infrastructure		1,253	1,166
Plant & Equipment		696	603
Minor Plant		30	28
Office Equipment		27	29
Other Assets		<u>232</u>	<u>253</u>
		<u>4,243</u>	<u>4,056</u>

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2009 \$'000	2008 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		527	226
Less: Carrying amount of assets sold		324	162
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		203	64

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 5 - CURRENT ASSETS

	2009	2008
	\$'000	\$'000
CASH & EQUIVALENT ASSETS		
Cash on Hand and at Bank	1,215	1,777
Short Term Deposits & Bills, etc	10,826	7,592
	<u>12,041</u>	<u>9,369</u>
TRADE & OTHER RECEIVABLES		
Rates - General & Other	202	117
Accrued Revenues	70	254
Debtors - general	1,048	337
GST Recoupment	54	5
Prepayments	81	79
Loans to community organisations	89	76
	<u>1,544</u>	<u>868</u>
INVENTORIES		
Stores & Materials	20	16
Trading Stock	11	13
	<u>31</u>	<u>29</u>

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2009 \$'000	2008 \$'000
Receivables			
Loans to community organisations		<u>514</u>	<u>322</u>
TOTAL FINANCIAL ASSETS		<u>514</u>	<u>322</u>

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2008 \$'000				2009 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	27,502	-	-	27,502	27,851	-	-	27,851
Buildings & Other Structures	50,386	-	(3,916)	46,470	56,748	-	(5,912)	50,836
Infrastructure	43,608	-	(2,234)	41,374	46,290	-	(3,488)	42,802
Plant & Equipment	4,080	-	(1,180)	2,900	5,400	-	(1,613)	3,787
Minor Plant	143	-	(49)	94	196	-	(80)	116
Office Equipment	131	-	(61)	70	213	-	(88)	125
Other Assets	2,154	-	(531)	1,623	2,260	-	(763)	1,497
TOTAL PROPERTY, PLANT & EQUIPMENT	128,004	-	(7,971)	120,033	138,958	-	(11,944)	127,014
2008 Totals					128,004	-	(7,971)	120,033

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 2009

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2008 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000								2009 \$'000
		Additions		Disposals	Depreciation	Impairment	Blank	Net Revaluation		
		New/Upgrade	Renewals							
Land	27,502	355	-	(6)	-	-	-	-	27,851	
Buildings & Other Structures	46,470	6,104	364	(97)	(2,005)	-	-	-	50,836	
Infrastructure	41,374	1,486	1,195	-	(1,253)	-	-	-	42,802	
Plant & Equipment	2,900	-	1,810	(227)	(696)	-	-	-	3,787	
Minor Plant	94	6	46	-	(30)	-	-	-	116	
Office Equipment	70	82	-	-	(27)	-	-	-	125	
	1,623	106	-	-	(232)	-	-	-	1,497	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	120,033	8,139	3,415	(330)	(4,243)	-	-	-	127,014	
2008 Totals	120,407	1,996	1,843	(162)	(4,056)			5	120,033	

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 2009

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 for the purposes of AIFRS.

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.

Pursuant to Council's election, 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 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost.

All other assets

Pursuant to Council's election, 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 2009

Note 8 - LIABILITIES

		2009 \$'000		2008 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		1,894		678	
Payments received in advance		29	50	31	50
Accrued expenses - employee entitlements		183	-	147	-
Accrued expenses - other		52	-	51	-
		<u>2,158</u>	<u>50</u>	<u>907</u>	<u>50</u>
BORROWINGS					
Loans		850	5,880	763	2,449
		<u>850</u>	<u>5,880</u>	<u>763</u>	<u>2,449</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,227	336	1,066	223
		<u>1,227</u>	<u>336</u>	<u>1,066</u>	<u>223</u>



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

Note 9 - RESERVES

ASSET REVALUATION RESERVE		1/07/2008	Net Increments (Decrements)	Transfers on Sale	30/06/2009
	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
Other Assets		2,821	-	-	2,821
Total Infrastructure, Property, Plant & Equipment		78,235	-	-	78,235
2008 Totals		78,230	5	-	78,235

OTHER RESERVES	1/07/2008	Transfers to Reserve	Transfers from Reserve	30/06/2009
Long Service Leave	445	157	(57)	545
Off Street Car Park	921	133	(765)	289
Plant Replacement	1,895	635	(1,609)	921
Lady Nelson Park Development	83	24	-	107
Asset Replacement	1,520	398	(930)	988
Land Division - Outstanding Work	232	-	-	232
Downstream Drainage	54	4	-	58
Work in Progress	3,128	7,332	(3,128)	7,332
City Centre Improvement	213	68	(185)	96
Major Capital Works	794	383	(1,000)	177
Mount Gambier Cemetery Trust	89	6	-	95
Junior Sporting Fund	44	6	-	50
TOTAL OTHER RESERVES	9,418	9,146	(7,674)	10,890
2008 Totals	7,906	5,322	(3,810)	9,418

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
- transfers from the Fund are made as and when required
- transfers to the Fund include Council budgetary allocations, donations and interest received

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

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	2009 \$'000	2008 \$'000
Total cash & equivalent assets	5	12,041	9,369
Balances per Cash Flow Statement		<u>12,041</u>	<u>9,369</u>

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

Net Surplus (Deficit)	5,480	1,658
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	4,243	4,056
Net increase (decrease) in unpaid employee benefits	310	122
Non-cash asset acquisitions	(762)	-
Grants for capital acquisitions treated as Investing Activity	(3,539)	(736)
Net (Gain) Loss on Disposals	(203)	(64)
	<u>5,529</u>	<u>5,036</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(663)	(228)
Net (increase) decrease in inventories	(2)	16
Net increase (decrease) in trade & other payables	1,215	(383)
Net Cash provided by (or used in) operations	<u>6,079</u>	<u>4,441</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge

Amounts recognised in Income Statement

2	762	-
	<u>762</u>	<u>-</u>
	<u>762</u>	<u>-</u>



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

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	2009	2008	2009	2008
	2009	2008	2009	2008	2009	2008	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	14,838	13,601	3,125	3,437	11,713	10,164	5,172	1,588	11,235	10,993
Community Support	96	566	851	859	(755)	(293)	14	14	8,377	6,193
Culture	907	327	2,456	2,156	(1,549)	(1,829)	610	187	19,434	14,332
Economic Development	754	119	960	834	(206)	(715)	11	46	3,480	7,060
Environment	102	848	2,859	2,612	(2,757)	(1,764)	-	-	4,943	6,774
Recreation	82	71	2,382	2,246	(2,300)	(2,175)	-	34	31,210	32,171
Regulatory Services	418	339	891	869	(473)	(530)	-	-	-	-
Transport	68	232	1,670	1,894	(1,602)	(1,602)	521	680	40,074	37,719
Engineering / Indirect	-	-	812	319	(812)	(319)	-	-	5,326	3,209
Unclassified	1,236	529	1,519	549	(283)	(20)	-	-	17,065	12,170
TOTALS	18,501	16,632	17,525	15,775	976	858	6,328	2,549	141,144	130,621

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 2009

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 2009

Note 12 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 2.75% and 7.00% (2008: 6.00% and 7.40%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.93% (2008: .85%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Carried at nominal value.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth & State.</p> <p>Carrying amount: approximates fair value.</p>
Receivables - Retirement Home Contributions	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Retirement Home Contributions	<p>Accounting Policy: To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p>Terms & conditions: Pursuant to Commonwealth legislation certain intending residents are required to contribute amounts on an interest free basis. The amounts are subject to certain deductions as prescribed by the legislation, the balance being repaid on termination of tenancy.</p> <p>Carrying amount: approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable; interest is charged at fixed rates between 5.05% and 9.8% (2008: 5.95% and 9.8%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: 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 2009

Note 12 (cont) - FINANCIAL INSTRUMENTS Liquidity Analysis

2009	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities					
Payables	1973	-	-	1,973	1,973
Borrowings	850	2350	3530	6,730	6,730
Total	2823	2350	3530	8,703	8,703

2008	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities					
Payables	759	-	-	759	759
Borrowings	763	2286	163	3,212	3,212
Total	1522	2286	163	3,971	3,971

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

	30 June 2009		30 June 2008	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates		1,973		759
Fixed Interest Rates	6.24	6,730	6.83	3,212
		8,703		3,971

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 based on cash inflows. Council also has available a range of bank overdraft and short-term draw down 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 2009

Note 13 - FINANCIAL INDICATORS

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.

	2009	2008	2007
Operating Surplus	976	858	315

Being the operating surplus (deficit) before capital amounts.

Operating Surplus Ratio

<u>Operating Surplus</u>	8%	8%	3%
Rates - general & other less NRM levy			

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

Net Financial Liabilities

	(3,598)	(5,101)	(3,048)
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Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	(19.9%)	(31.5%)	(20.0%)
Total Operating Revenue less NRM levy			

Interest Cover Ratio

<u>Net Interest Expense</u>	(1.2%)	(2.3%)	(1.3%)
Total Operating Revenue less NRM levy less Investment Income			

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	68%	40%	35%
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.

Asset Consumption Ratio

<u>Carrying value of depreciable assets</u>	89%	92%	96%
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 2009

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 uniform and consistent basis. The uniform presentation represents a simplified version of reporting under the Government Finance Statistics (GFS) framework of the Australian Bureau of Statistics.

All Councils in South Australia voluntarily 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

	2009 \$'000	2008 \$'000
Income	18,501	16,632
less Expenses	<u>(17,525)</u>	<u>(15,775)</u>
	976	858
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(3,409)	(1,843)
less Depreciation, Amortisation and Impairment	4,243	4,056
less Proceeds from Sale of Replaced Assets	<u>527</u>	<u>226</u>
	1,361	2,439
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	(7,377)	(1,996)
less Amounts received specifically for New and Upgraded Assets	3,539	736
	<u>(3,838)</u>	<u>(1,260)</u>
Net Lending / (Borrowing) for Financial Year	<u>(1,501)</u>	<u>2,037</u>



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

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:

	2009 \$'000	2008 \$'000
Not later than one year	66	67
Later than one year and not later than 5 years	51	109
	<u>117</u>	<u>176</u>

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2009

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 2008/09 for Marketlink members and 3% for Salarylink members; 9% and 3% respectively in 2007/08). 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 2007/2008) 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.

The most recent full actuarial investigation conducted by the Scheme's actuary, L C Brett, BSc., FIA, FIAA, of Brett and Watson Pty Ltd as at 30 June 2008, 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 2009

Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position 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 194.69 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$21,000 (2008: \$43,000) 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 2 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.



City of Mount Gambier

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2009

STATEMENT BY CHIEF EXECUTIVE OFFICER

I, Greg Muller, the person for the time being occupying the position of Chief Executive Officer of the City of Mount Gambier, do hereby state that the Financial Statements of the Council for the year ended 30 June 2009 are to the best of my knowledge presented fairly, and in accordance with accounting procedures which have been maintained in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999* made under that Act.



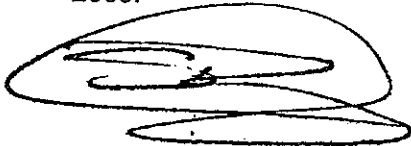
Greg MULLER

CHIEF EXECUTIVE OFFICER

Dated this 7 day of SEPTEMBER 2009

ADOPTION STATEMENT

Laid before the City of Mount Gambier and adopted on the 20th day of October 2009.



Steve Perryman

MAYOR

City of Mount Gambier

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2009

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of SA Model Council for the year ended 30 June 2009, the Council's Auditor, Galpin Engler Bruins & Dempsey, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 1999* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 16A(2) *Local Government (Financial Management) Regulations 1999*.



Greg MULLER
CHIEF EXECUTIVE OFFICER



Ms Valerie MURRELL
PRESIDING MEMBER
AUDIT COMMITTEE

Date: 7/2/2009

**INDEPENDENT AUDIT REPORT
TO THE COUNCILLORS OF THE
CITY OF MOUNT GAMBIER**

Scope

The financial report and Chief Executive Officer's responsibility

The financial report comprises the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, accompanying Notes to the Financial Statements and the Chief Executive Officer's Statement of City of Mount Gambier (the Council) for the year ended 30 June 2009.

The Chief Executive Officer is responsible for the preparation and presentation of the financial report and the information contained therein. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 1999, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and context of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of the City of Mount Gambier for the year ended 30 June 2009 is properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the Council's state of affairs as at and its operating result and cash flows for the year ended on that date; and
 - (ii) the other matters required by Division IV of the Local Government Act 1999 to be dealt with in the accounts;
- (b) in accordance with the provisions of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 1999; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

GALPIN ENGLER BRUINS & DEMPSEY



L J Galpin FCPA

Partner

Date: 20th October 2009

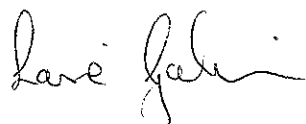


City of Mount Gambier
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2009

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of the City of Mount Gambier for the year ended 30 June 2009, 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 1999* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 16A (4) *Local Government (Financial Management) Regulations 1999*.



(Laurie Galpin)

(Galpin Engler Bruins Dempsey)

Dated this 20th day of *October* 2009

