



**City of Mount Gambier**

# **Financial Statements**

## **2009 / 2010**

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# CITY OF MOUNT GAMBIER

## General Purpose Financial Reports for the year ended 30 June 2010

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# CITY OF MOUNT GAMBIER

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>INCOME</b>			
Rates	2	12,689	12,166
Statutory charges	2	421	418
User charges	2	1,742	1,579
Grants, subsidies and contributions	2	2,315	2,789
Investment income	2	333	411
Reimbursements	2	999	944
Other income	2	234	194
<b>Total Income</b>		<b>18,733</b>	<b>18,501</b>
<b>EXPENSES</b>			
Employee costs	3	6,610	6,082
Materials, contracts & other expenses	3	6,858	7,005
Finance costs	3	369	195
Depreciation, amortisation & impairment	3	4,622	4,243
<b>Total Expenses</b>		<b>18,459</b>	<b>17,525</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>274</b>	<b>976</b>
Asset disposal & fair value adjustments	4	97	203
Amounts received specifically for new or upgraded assets	2	2,083	3,539
Physical resources received free of charge	2	220	762
<b>NET SURPLUS / (DEFICIT)</b>		<b>2,674</b>	<b>5,480</b>
transferred to Equity Statement			
Other Comprehensive Income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,674</b>	<b>5,480</b>

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



# CITY OF MOUNT GAMBIER

## BALANCE SHEET as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	9,696	12,041
Trade & other receivables	5	1,181	1,544
Inventories	5	44	31
<b>Total Current Assets</b>		<b>10,921</b>	<b>13,616</b>
<b>Non-current Assets</b>			
Financial Assets	6	457	514
Infrastructure, Property, Plant & Equipment	7	130,998	127,014
<b>Total Non-current Assets</b>		<b>131,455</b>	<b>127,528</b>
<b>Total Assets</b>		<b>142,376</b>	<b>141,144</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8	1,370	2,158
Borrowings	8	711	850
Provisions	8	1,321	1,227
<b>Total Current Liabilities</b>		<b>3,402</b>	<b>4,235</b>
<b>Non-current Liabilities</b>			
Trade & Other Payables	8	-	50
Borrowings	8	5,170	5,880
Provisions	8	487	336
<b>Total Non-current Liabilities</b>		<b>5,657</b>	<b>6,266</b>
<b>Total Liabilities</b>		<b>9,059</b>	<b>10,501</b>
<b>NET ASSETS</b>		<b>133,317</b>	<b>130,643</b>
<b>EQUITY</b>			
Accumulated Surplus		45,893	41,518
Asset Revaluation Reserves	9	78,235	78,235
Other Reserves	9	9,189	10,890
<b>TOTAL EQUITY</b>		<b>133,317</b>	<b>130,643</b>

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 2010

		Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2010	Notes	\$'000	\$'000	\$'000	\$'000
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
<b>Net Surplus / (Deficit) for Year</b>		2,674	-	-	2,674
<b>Other Comprehensive Income</b>					
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>
<b>2009</b>					
Balance at end of previous reporting period		37,510	78,235	9,418	125,163
Restated opening balance		37,510	78,235	9,418	125,163
<b>Net Surplus / (Deficit) for Year</b>		5,480	-	-	5,480
Transfers between reserves		(1,472)	-	1,472	-
<b>Balance at end of period</b>		<b>41,518</b>	<b>78,235</b>	<b>10,890</b>	<b>130,643</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 2010

	Notes	2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Operating receipts		20,477	18,983
Investment receipts		289	595
<u>Payments</u>			
Operating payments to suppliers & employees		(15,733)	(13,305)
Finance payments		(382)	(194)
<b>Net Cash provided by (or used in) Operating Activities</b>		4,651	6,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		2,083	3,539
Sale of replaced assets		237	527
Repayments of loans by community groups		89	77
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,559)	(3,409)
Expenditure on new/upgraded assets		(5,967)	(7,377)
Loans made to community groups		(30)	(282)
<b>Net Cash provided by (or used in) Investing Activities</b>		(6,147)	(6,925)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from Borrowings		-	4,282
<u>Payments</u>			
Repayments of Borrowings		(849)	(764)
<b>Net Cash provided by (or used in) Financing Activities</b>		(849)	3,518
<b>Net Increase (Decrease) in cash held</b>		(2,345)	2,672
Cash & cash equivalents at beginning of period	10	12,041	9,369
<b>Cash &amp; cash equivalents at end of period</b>	10	9,696	12,041

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 2010

### 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 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 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 2010

#### 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 Assets 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 2010

#### 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 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
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.

##### 6.6 Borrowing Costs

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



## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

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

##### 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 by 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	4.76% (2009, 7.25%)
Weighted average settlement period	1 year (2009, 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 2010

#### 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 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2010 reporting period.

- |                |   |
|----------------|---|
| ➤ AASB 1       | <i>First-time Adoption of Australian Accounting Standards</i>                       |
| ➤ AASB 5       | <i>Non-current Assets Held for Sale and Discontinued Operations</i>                 |
| ➤ AASB 7       | <i>Financial Instruments: Disclosures</i>   |
| ➤ AASB 9       | <i>Financial Instruments</i>  |
| ➤ AASB 101     | <i>Presentation of Financial Statements</i>   |
| ➤ AASB 107     | <i>Statement of Cash Flows</i>  |
| ➤ AASB 108     | <i>Accounting Policies, Changes in Accounting Estimates and</i>                     |
|                | <i>Errors</i>   |
| ➤ AASB 110     | <i>Events after the Reporting Period</i>  |
| ➤ AASB 117     | <i>Leases</i>   |
| ➤ AASB 118     | <i>Revenue</i>  |
| ➤ AASB 119     | <i>Employee Benefits</i>  |
| ➤ AASB 132     | <i>Financial Instruments: Presentation</i>  |
| ➤ AASB 136     | <i>Impairment of Assets</i>   |
| ➤ AASB 137     | <i>Provisions, Contingent Liabilities and Contingent Assets</i>                     |
| ➤ AASB 139     | <i>Financial Instruments: Recognition and Measurement</i>                           |
| ➤ AASB 1031    | <i>Financial Instruments: Recognition and Measurement</i>                           |
| ➤ AASB 2009-11 | <i>Amendments to Australian Accounting Standards arising from</i>                   |
|                | <i>AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131,</i>     |
|                | <i>132, 136, 139, 1023 &amp; 1038 and Interpretations 10 &amp; 12]</i>              |
| ➤ AASB 2009-12 | <i>Amendments to Australian Accounting Standards [AASBs 5, 8,</i>                   |
|                | <i>108, 110, 112, 119, 133, 137, 139, 1023 &amp; 1031 and Interpretations 2, 4,</i> |
|                | <i>16, 1039 &amp; 1052]</i>   |
| ➤ AASB 2009-13 | <i>Amendments to Australian Accounting Standards arising from</i>                   |
|                | <i>Interpretation 19 [AASB 1]</i>   |
| ➤ AASB 2010-1  | <i>Amendments to Australian Accounting Standards – Limited</i>                      |
|                | <i>Exemption from Comparative AASB 7 Disclosures for First-time Adopters</i>        |
|                | <i>[AASB 1 &amp; AASB 7]</i>  |



## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

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

- *Interpretation 4*      Determining whether an Arrangement contains a Lease
- *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 2010

### Note 2 - INCOME

	Notes	2010 \$'000	2009 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		<b>12,292</b>	11,800
Less: Discretionary rebates, remissions & write offs		<b>(51)</b>	(54)
		<u><b>12,241</b></u>	<u>11,746</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		<u><b>467</b></u>	<u>444</u>
		<b>467</b>	444
<u>Other Charges</u>			
Penalties for late payment		<u><b>32</b></u>	<u>30</u>
		<b>32</b>	30
Less: Discretionary rebates, remissions & write offs		<b>(51)</b>	(54)
		<u><b>12,689</b></u>	<u>12,166</u>
<b>STATUTORY CHARGES</b>			
Development Act fees		<b>116</b>	149
Town planning fees		<b>155</b>	143
Animal registration fees & fines		<b>115</b>	106
Parking fines / expiation fees		<b>21</b>	13
Other registration fees		<b>13</b>	5
Sundry		<u><b>1</b></u>	<u>2</u>
		<b>421</b>	418
<b>USER CHARGES</b>			
Cemetery/crematoria fees		<b>511</b>	533
Green Waste Collection		<b>337</b>	310
Hall & equipment hire		<b>39</b>	25
Parking fees		<b>0</b>	4
Sales - general		<b>746</b>	606
Sundry		<u><b>110</b></u>	<u>101</u>
		<b>1,742</b>	1,579
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		<b>307</b>	374
Banks & other		<b>23</b>	34
Loans to community groups		<u><b>3</b></u>	<u>3</u>
		<b>333</b>	411



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### NOTE 2 - INCOME (continued)

	Notes	2010 \$'000	2009 \$'000
<b>REIMBURSEMENTS</b>			
- for roadworks		244	206
- for private works		619	718
- other		136	20
		<u>999</u>	<u>944</u>
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		161	102
Donations		70	90
Sundry		3	2
		<u>234</u>	<u>194</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		2,083	3,539
Other grants, subsidies and contributions		1,810	2,332
Individually significant item - additional Grants Commission payment	see below	505	457
		<u>4,398</u>	<u>6,328</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
<b>Sources of grants</b>			
Commonwealth government		708	843
State government		3,690	5,485
		<u>4,398</u>	<u>6,328</u>

### **Individually Significant Item**

On 26 June 2010, Council received payment of the first quarter instalment of the 2010/11 Grant Commission (FAG) grant. This represents a significant increase in income from this source for 2008/09 and 2009/10, with an equivalent reduction in 2010/11.

	505	457
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# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### NOTE 2 - INCOME (continued)

	2010 Notes \$'000	2009 \$'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>	<b>2,500</b>	-
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>		
<i>New Library &amp; Main Corner Developments</i>	<b>(2,500)</b>	-
<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>	<b>500</b>	2,500
<i>Subtotal</i>	<b>500</b>	2,500
<i>Unexpended at the close of this reporting period</i>	<b>500</b>	2,500
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>	 <b>(2,000)</b>	 2,500
 <b>PHYSICAL RESOURCES RECEIVED FREE OF CHARGE</b>		
<i>Roads, Bridges &amp; Footpaths</i>	<b>220</b>	762
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>	<b>220</b>	762



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 3 - EXPENSES

	Notes	2010 \$'000	2009 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		5,967	5,544
Employee leave expense		289	310
Superannuation - defined contribution plan contributions	16	545	466
Workers' Compensation Insurance		129	129
Other		46	22
Less: Capitalised and distributed costs		(365)	(389)
<b>Total Operating Employee Costs</b>		<b>6,610</b>	<b>6,082</b>
<b>Total Number of Employees</b>		<b>131</b>	<b>111</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	14
Elected members' expenses		242	240
Election expenses		2	-
Subtotal - Prescribed Expenses		<b>260</b>	<b>254</b>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		2,301	2,304
Energy		543	496
Maintenance		28	35
Legal Expenses		51	108
Levies paid to government - NRM levy		466	442
Parts, accessories & consumables		1,802	2,205
Professional services		41	239
Sundry		1,366	922
		<b>6,858</b>	<b>7,005</b>
<b>FINANCE COSTS</b>			
Interest on Borrowings		369	195
		<b>369</b>	<b>195</b>
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings & Other Structures		2,222	2,005
Infrastructure		1,289	1,253
Plant & Equipment		776	696
Minor Plant		30	30
Office Equipment		92	27
Other Assets		213	232
		<b>4,622</b>	<b>4,243</b>





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 4 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	Notes	2010 \$'000	2009 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		237	527
Less: Carrying amount of assets sold		140	324
<b>Gain (Loss) on disposal</b>		<u>97</u>	<u>203</u>
<b>NET GAIN (LOSS) ON DISPOSAL</b>		<u>97</u>	<u>203</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 5 - CURRENT ASSETS

	Notes	2010 \$'000	2009 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		1,311	1,215
Deposits at Call		8,385	10,826
		<u>9,696</u>	<u>12,041</u>
<b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		252	202
Accrued Revenues		114	70
Debtors - general		416	1,048
GST Recoupment		43	54
Prepayments		269	81
Loans to community organisations		87	89
		<u>1,181</u>	<u>1,544</u>
<b>INVENTORIES</b>			
Stores & Materials		32	20
Trading Stock		12	11
		<u>44</u>	<u>31</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 2010

### Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2010 \$'000	2009 \$'000
Receivables			
Loans to community organisations		457	514
<b>TOTAL FINANCIAL ASSETS</b>		<b>457</b>	<b>514</b>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

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

	2009 \$'000				2010 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	27,435	416	-	27,851	27,435	577	-	28,012
Buildings & Other Structures	48,389	8,359	(5,912)	50,836	48,389	12,864	(8,133)	53,120
Infrastructure	40,010	6,280	(3,488)	42,802	40,010	8,386	(4,778)	43,618
Plant & Equipment	2,664	2,736	(1,613)	3,787	2,383	3,318	(2,244)	3,457
Minor Plant	30	166	(80)	116	30	174	(109)	95
Office Equipment	88	125	(88)	125	75	1,384	(169)	1,290
Other	1,936	324	(763)	1,497	1,936	445	(975)	1,406
<b>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</b>	<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>
<b>2009 Totals</b>					<b>120,552</b>	<b>18,406</b>	<b>(11,944)</b>	<b>127,014</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 2010

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

	2009	CARRYING AMOUNT MOVEMENTS DURING YEAR				2010
	\$'000	\$'000				\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	CARRYING AMOUNT
		New/Upgrade	Renewals			
Land	27,851	161	-	-	-	28,012
Buildings & Other Structures	50,836	4,196	310	-	(2,222)	53,120
Infrastructure	42,802	220	1,885	-	(1,289)	43,618
Plant & Equipment	3,787	16	566	(136)	(776)	3,457
Minor Plant	116	-	9	-	(30)	95
Office Equipment	125	1,252	7	(2)	(92)	1,290
Other	1,497	122	-	-	(213)	1,406
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>127,014</b>	<b>5,967</b>	<b>2,777</b>	<b>(138)</b>	<b>(4,622)</b>	<b>130,998</b>
<b>2009 Totals</b>	<b>120,033</b>	<b>8,139</b>	<b>3,415</b>	<b>(330)</b>	<b>(4,243)</b>	<b>127,014</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 2010

### Note 8 - LIABILITIES

		2010 \$'000		2009 \$'000	
	Notes	Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		1,067		1,894	
Payments received in advance		37	-	29	50
Accrued expenses - employee entitlements		227	-	183	-
Accrued expenses - other		39	-	52	-
		<u>1,370</u>	<u>-</u>	<u>2,158</u>	<u>50</u>
 <b>BORROWINGS</b>					
Loans		711	5,170	850	5,880
		<u>711</u>	<u>5,170</u>	<u>850</u>	<u>5,880</u>
 <i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
 <b>PROVISIONS</b>					
Employee entitlements (including oncosts)		1,321	487	1,227	336
		<u>1,321</u>	<u>487</u>	<u>1,227</u>	<u>336</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2009	Net Increments (Decrements)	Transfers, Impairments	30/6/2010
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>
<b>2009 Totals</b>	<b>78,235</b>	<b>-</b>	<b>-</b>	<b>78,235</b>

OTHER RESERVES	1/7/2009	Transfers to Reserve	Transfers from Reserve	30/6/2010
Long Service Leave	545	151	(81 )	615
Off Street Car Park	289	102	-	391
Plant Replacement	921	684	(210 )	1,395
Lady Nelson Park Development	107	23	-	130
Asset Replacement	988	269	-	1,257
Land Division - Outstanding work	232	-	-	232
Downstream Drainage	58	44	-	102
Work in Progress	7,332	4,089	(7,332 )	4,089
City Centre Improvement	96	692	(140 )	648
Major Capital Works	177	106	(100 )	183
Mount Gambier Cemetery Trust	95	3	-	98
Junior Sporting Fund	50	-	(3 )	47
<b>TOTAL OTHER RESERVES</b>	<b>10,890</b>	<b>6,165</b>	<b>(7,866 )</b>	<b>9,189</b>
<b>2009 Totals</b>	<b>9,418</b>	<b>9,146</b>	<b>(7,674 )</b>	<b>10,890</b>

#### 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



**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





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### 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	2010 \$'000	2009 \$'000
Total cash & equivalent assets	5	<u>9,696</u>	<u>12,041</u>
Balances per Cash Flow Statement		<u>9,696</u>	<u>12,041</u>

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

Net Surplus (Deficit)		<b>2,674</b>	5,480
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		<b>4,622</b>	4,243
Net increase (decrease) in unpaid employee benefits		<b>289</b>	310
Non-cash asset acquisitions		<b>(220)</b>	(762)
Grants for capital acquisitions treated as Investing Activity		<b>(2,083)</b>	(3,539)
Net (Gain) Loss on Disposals		<b>(97)</b>	(203)
		<u><b>5,185</b></u>	<u>5,529</u>
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		<b>361</b>	(663)
Net (increase) decrease in inventories		<b>(13)</b>	(2)
Net increase (decrease) in trade & other payables		<b>(882)</b>	1,215
<b>Net Cash provided by (or used in) operations</b>		<u><b>4,651</b></u>	<u>6,079</u>

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

Acquisition of assets by means of:

- Physical resources received free of charge	2	<u><b>220</b></u>	<u>762</u>
		<u><b>220</b></u>	<u>762</u>

#### (d) Financing Arrangements

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

Corporate Credit Cards	<b>15</b>	18
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# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### 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	ACTUAL	2010	2009	
	2010	2009	2010	2009	2010	2009	2010	2010	2009	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	14,603	14,838	3,671	3,125	10,932	11,713	1,915	10,867	11,235	
Community Support	653	96	1,280	851	(627)	(755)	19	10,122	8,377	
Culture	378	907	2,245	2,456	(1,867)	(1,549)	88	22,133	19,434	
Economic Development	247	754	1,057	960	(810)	(206)	30	3,364	3,480	
Environment	716	102	3,019	2,859	(2,303)	(2,757)	-	4,650	4,943	
Recreation	134	82	2,482	2,382	(2,348)	(2,300)	-	30,718	31,210	
Regulatory Services	421	418	1,001	891	(580)	(473)	-	-	-	
Transport	507	68	1,720	1,670	(1,213)	(1,602)	263	41,125	40,074	
Engineering / Indirect	-	-	847	812	(847)	(812)	-	4,949	5,326	
Unclassified	1,074	1,236	1,137	1,519	(63)	(283)	-	14,448	17,065	
<b>TOTALS</b>	<b>18,733</b>	<b>18,501</b>	<b>18,459</b>	<b>17,525</b>	<b>274</b>	<b>976</b>	<b>2,315</b>	<b>142,376</b>	<b>141,144</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 2010

### 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 2010

### 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 2.75% and 4.50% (2009: 2.75% and 7.00%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges (including legals &amp; penalties for late payment)</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> Secured over the subject land, arrears attract interest of .58% (2009: .93%) 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>Receivables - Retirement Home Contributions</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> Amounts due have been calculated in accordance with the terms and conditions of the respective legislation.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</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 - Retirement Home Contributions</b>	<p><b>Accounting Policy:</b> To avoid inconvenience when complying with the separate audit requirements imposed by the relevant legislation, amounts are carried at nominal values.</p> <p><b>Terms &amp; conditions:</b> 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><b>Carrying amount:</b> approximates fair value for short tenancies; may be non-materially over-stated for longer tenancies.</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 7.90% (2009: 5.05% and 9.80%)</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 2010

### Note 12 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

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 and 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
Non-Current 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>
2009	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 and Cash equivalents	12,041	-	-	12,041	12,041
Receivables	1,256	307	239	1,802	1,802
<b>Total</b>	<b>13,297</b>	<b>307</b>	<b>239</b>	<b>13,843</b>	<b>13,843</b>
<b>Financial Liabilities</b>					
Payables	1,973	-	-	1,973	1,973
Non-Current Borrowings	850	2,350	3,530	6,730	6,730
<b>Total</b>	<b>2,823</b>	<b>2,350</b>	<b>3,530</b>	<b>8,703</b>	<b>8,703</b>

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

	30 June 2010		30 June 2009	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates		1,104		1,973
Fixed Interest Rates	6.12	5,881	6.24	6,730
		<u>6,985</u>		<u>8,703</u>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 12 (cont) - FINANCIAL INSTRUMENTS

#### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments.

#### 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 2010

### Note 13 - FINANCIAL INDICATORS

	2010	2009	2008
These Financial Indicators have been calculated in accordance with <i>Information Paper 9 - Local Government Financial Indicators</i> 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>	274	976	858
<i>Being the operating surplus (deficit) before capital amounts .</i>			
<b>Adjusted Operating Surplus</b>	731	519	858
<i>In June 2009 the Commonwealth Government made an advance payment approximately equal to one quarter of the 2009/10 Financial Assistance Grant (see Note 2). This income has materially distorted the amount of the Operating Result for both the 2008/09 and 2010/11 reporting periods. The <b>Adjusted Operating Surplus</b> and <b>Adjusted Operating Surplus Ratio</b> adjust for this distortion.</i>			
<b>Operating Surplus Ratio</b>			
<u>Operating Surplus</u>	2%	8%	8%
Rates - general & other less NRM levy			
<b>Adjusted Operating Surplus Ratio</b>	6%	4%	8%
<i>This ratio expresses the operating surplus as a percentage of general and other rates, net of NRM levy.</i>			
<b>Net Financial Liabilities</b>	(2,275)	(3,598)	(5,101)
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses).</i>			
<b>Net Financial Liabilities Ratio</b>			
<u>Net Financial Liabilities</u>	(12.5%)	(19.9%)	(31.5%)
Total Operating Revenue less NRM levy			
<b>Interest Cover Ratio</b>			
<u>Net Interest Expense</u>	0.2%	(1.2%)	(2.3%)
Total Operating Revenue less NRM levy less Investment Income			
<b>Asset Sustainability Ratio</b>			
<u>Net Asset Renewals</u>	50%	68%	40%
Depreciation Expense			
<i>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.</i>			
<b>Asset Consumption Ratio</b>			
<u>Carrying value of depreciable assets</u>	86%	89%	92%
Gross value of depreciable assets			
<i>Total carrying value of depreciable assets divided by total reported value of depreciable assets before accumulated depreciation.</i>			



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### 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

	2010 \$'000	2009 \$'000
Income	18,733	18,501
less Expenses	<u>18,459</u>	<u>17,525</u>
	274	976
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	2,559	3,409
less Depreciation, Amortisation and Impairment	4,622	4,243
less Proceeds from Sale of Replaced Assets	<u>237</u>	<u>527</u>
	(2,300)	(1,361)
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	5,967	7,377
less Amounts received specifically for New and Upgraded Assets	2,083	3,539
	<u>3,884</u>	<u>3,838</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<u>(1,310)</u>	<u>(1,501)</u>





# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010

### Note 15 - OPERATING LEASES

#### *Lease payment commitments of Council*

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

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

Leases in relation to computer 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:

	2010 \$'000	2009 \$'000
Not later than one year	62	66
Later than one year and not later than 5 years	28	51
	<u>90</u>	<u>117</u>



# **CITY OF MOUNT GAMBIER**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2010**

### **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 2009/10 for Marketlink members and 3% for Salarylink members; 9% and 3% respectively in 2008/09). 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 2008/2009) 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 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 2010**

### **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 196.37 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 \$0 (2009: \$21,000) 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 5 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 2010

### STATEMENT BY CHIEF EXECUTIVE OFFICER

I, Greg MULLER, the person for the time being occupying the position of Chief Executive Officer of City of Mount Gambier, do hereby state that the Financial Statements of the Council for the year ended 30 June 2010 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 12 day of OCTOBER 2010

### ADOPTION STATEMENT

Laid before the City of Mount Gambier and adopted on the 9 day of NOVEMBER 2010.



Steve PERRYMAN

MAYOR

# **CITY OF MOUNT GAMBIER**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2010**

### **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 2010, the Council's Auditor, Galpin, Engler, Bruins and 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: 12th October, 2010



# **GALPIN, ENGLER, BRUINS & DEMPSEY**

Accountants, Auditors & Business Consultants

Unit 4/3-5 Mount Barker Road  
PO Box 727  
Stirling S.A. 5152  
Telephone 08 8339 1255  
Facsimile 08 8339 1266  
Email [stirling@galpins.com.au](mailto:stirling@galpins.com.au)

## **INDEPENDENT AUDIT REPORT TO THE COUNCILLORS OF THE CITY OF MT 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 Mt Gambier (the Council) for the year ended 30 June 2010.

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 Mt Gambier for the year ended 30 June 2010 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

**CITY OF MOUNT GAMBIER**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2010**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2010, 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 and Dempsey**

Dated this <sup>26<sup>th</sup></sup> day of *October* 2010