



City of Mount Gambier

Financial Statements

2011/2012

CITY OF MOUNT GAMBIER
General Purpose Financial Reports
for the year ended 30 June 2012

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CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

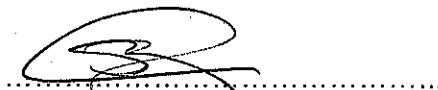
CERTIFICATION OF FINANCIAL STATEMENTS

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

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2012 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.



Mark McShane
CHIEF EXECUTIVE OFFICER



Steve Perryman
MAYOR

Date: 21/11/2012

CITY OF MOUNT GAMBIER
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
INCOME			
Rates	2	14,881	13,872
Statutory charges	2	310	340
User charges	2	3,157	2,293
Grants, subsidies and contributions	2	3,101	2,024
Investment income	2	141	327
Reimbursements	2	598	502
Other income	2	267	274
Total Income		22,455	19,632
EXPENSES			
Employee costs	3	7,983	7,286
Materials, contracts & other expenses	3	9,004	8,136
Depreciation, amortisation & impairment	3	5,491	4,995
Finance costs	3	560	325
Total Expenses		23,038	20,742
OPERATING SURPLUS / (DEFICIT)		(583)	(1,110)
Asset disposal & fair value adjustments	4	(162)	290
Amounts received specifically for new or upgraded assets	2	1,874	2,792
NET SURPLUS / (DEFICIT)		1,129	1,972
transferred to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	75,194	-
Total Other Comprehensive Income		75,194	-
TOTAL COMPREHENSIVE INCOME		76,323	1,972

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



CITY OF MOUNT GAMBIER

BALANCE SHEET as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	981	8,298
Trade & other receivables	5	1,131	2,264
Inventories	5	47	35
Total Current Assets		2,159	10,597
Non-current Assets			
Financial Assets	6	339	350
Infrastructure, Property, Plant & Equipment	7	217,546	136,970
Total Non-current Assets		217,885	137,320
Total Assets		220,044	147,917
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8	1,231	1,527
Borrowings	8	438	758
Provisions	8	1,854	1,736
Total Current Liabilities		3,523	4,021
Non-current Liabilities			
Borrowings	8	4,674	8,356
Provisions	8	235	251
Total Non-current Liabilities		4,909	8,607
Total Liabilities		8,432	12,628
NET ASSETS		211,612	135,289
EQUITY			
Accumulated Surplus		52,707	53,620
Asset Revaluation Reserves	9	153,429	78,235
Other Reserves	9	5,476	3,434
TOTAL EQUITY		211,612	135,289

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 2012

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
2012					
Balance at end of previous reporting period		53,620	78,235	3,434	135,289
Restated opening balance		53,620	78,235	3,434	135,289
Net Surplus / (Deficit) for Year		1,129			1,129
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment	9		75,194		75,194
Transfers between reserves		(2,042)		2,042	-
Balance at end of period		52,707	153,429	5,476	211,612

2011					
Balance at end of previous reporting period		45,893	78,235	9,189	133,317
Restated opening balance		45,893	78,235	9,189	133,317
Net Surplus / (Deficit) for Year		1,972			1,972
Other Comprehensive Income					
Transfers between reserves		5,755		(5,755)	-
Balance at end of period		53,620	78,235	3,434	135,289

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 2012

	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	
<u>Receipts</u>		
Rates - general & other	14,804	13,826
Fees & other charges	335	273
User charges	4,103	1,713
Investment receipts	159	350
Grants utilised for operating purposes	3,334	2,176
Reimbursements	658	552
Other revenues	507	1,520
<u>Payments</u>		
Employee Costs	(8,096)	(7,119)
Materials, contracts & other expenses	(9,490)	(9,703)
Finance payments	(568)	(332)
Net Cash provided by (or used in) Operating Activities	5,746	3,256
CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Receipts</u>		
Amounts specifically for new or upgraded assets	1,874	2,792
Sale of replaced assets	257	390
Repayments of loans by community groups	108	88
<u>Payments</u>		
Expenditure on renewal/replacement of assets	(3,099)	(2,946)
Expenditure on new/upgraded assets	(8,193)	(8,121)
Loans made to community groups	(8)	(90)
Net Cash provided by (or used in) Investing Activities	(9,061)	(7,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Receipts</u>		
Proceeds from Borrowings	-	3,944
<u>Payments</u>		
Repayments of Borrowings	(4,002)	(711)
Net Cash provided by (or used in) Financing Activities	(4,002)	3,233
Net Increase (Decrease) in cash held	(7,317)	(1,398)
Cash & cash equivalents at beginning of period	10 8,298	9,696
Cash & cash equivalents at end of period	10 981	8,298

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 2012

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

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

2 The Local Government Reporting Entity

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

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 2012

Note 1 - Significant Accounting Policies (cont)

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 12.

5 Inventories

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

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost.

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

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

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

6.2 Materiality

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

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$1,000
Buildings - new construction/extensions	\$10,000
Park & Playground Furniture & Equipment	\$2,000
Road construction & reconstruction	\$10,000
Paving & footpaths, Kerb & Gutter	\$2,000
Drains & Culverts	\$5,000



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

Plant, Furniture & Equipment	
Office Equipment	4 years
Vehicles and Road-making Equip	8 to 15 years
Other Plant & Equipment	5 years
Building & Other Structures	
Buildings – Structure	80 years
Buildings – Roofing	40 years
Buildings - Fitout	20 years
Buildings – Services	50 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.



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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 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	4.00% (2011, 4.90%)
Weighted average settlement period	1 year (2011, 1 years)

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 2012

Note 1 - Significant Accounting Policies (cont)

11 Leases

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

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

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

12 GST Implications

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

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

13 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2012 reporting period and have not been used in preparing these reports.

- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*
- AASB 2010-6 *Amendments to Australian Accounting Standards [AASBs 1 & 7]*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19, & 127]*
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]*
- AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131]*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*



City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 1 - Significant Accounting Policies (cont)

- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]*
- AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]*

(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 2012

Note 2 - INCOME

	Notes	2012 \$'000	2011 \$'000
RATES REVENUES			
<u>General Rates</u>		14,587	13,583
Less: Discretionary rebates, remissions & write offs		(137)	(119)
		<u>14,450</u>	<u>13,464</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		515	480
		<u>515</u>	<u>480</u>
<u>Other Charges</u>			
Penalties for late payment		53	47
		<u>53</u>	<u>47</u>
Less: Discretionary rebates, remissions & write offs		(137)	(119)
		<u>14,881</u>	<u>13,872</u>
STATUTORY CHARGES			
Development Act fees		70	100
Town planning fees		102	102
Animal registration fees & fines		117	117
Parking fines / expiation fees		13	14
Other licences, fees, & fines		8	7
		<u>310</u>	<u>340</u>
USER CHARGES			
Cemetery/crematoria fees		678	542
Green Waste Collection		345	356
Hall & equipment hire		41	40
Sales - general		1,887	1,213
Sundry		206	142
		<u>3,157</u>	<u>2,293</u>
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		124	309
Banks & other		14	15
Loans to community groups		3	3
		<u>141</u>	<u>327</u>



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

NOTE 2 - INCOME (continued)

	Notes	2012 \$'000	2011 \$'000
REIMBURSEMENTS			
- for roadworks		172	193
- for private works		275	180
- other		151	129
		<u>598</u>	<u>502</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		230	222
Donations		36	37
Sundry		1	15
		<u>267</u>	<u>274</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		1,874	2,792
Other grants, subsidies and contributions		905	1,472
Individually significant item - additional Grants Commission payment	see below	2,196	552
		<u>4,975</u>	<u>4,816</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		1,649	927
State government		3,326	3,889
Other		0	0
		<u>4,975</u>	<u>4,816</u>

Individually Significant Item

On 28 June 2011, Council received \$552 payment of the first instalment of the 2011/12 Grant Commission (FAG) grant. Similarly, on 14 June 2012 Council received \$1,196 payment of the first two instalments of the 2012/13 grant.

2,196 552

This has materially increased Council's operating results in the current year, as these amounts are recognised as income upon receipt.

Similarly material adverse effects will be experienced when the timing of these grant payments is restored to normal schedule. It is not known when this will occur.

On 27 June 2012, Council received \$1,000 grant for Stage 1 of the Railway Lands redevelopment



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

NOTE 2 - INCOME (continued)

	Notes	2012 \$'000	2011 \$'000
Conditions over grants & contributions			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
<i>Unexpended at the close of the previous reporting period</i>		-	500
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>New Library & Main Corner Developments</i>		-	(500)
<i>Subtotal</i>		-	(500)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Railway Lands</i>		1,000	-
<i>Subtotal</i>		1,000	-
<i>Unexpended at the close of this reporting period</i>		1,000	-
 <i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		 1,000	 (500)



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 3 - EXPENSES

	Notes	2012 \$'000	2011 \$'000
EMPLOYEE COSTS			
Salaries and Wages		7,481	6,594
Employee leave expense		(112)	166
Superannuation - defined contribution plan contributions	16	725	643
Workers' Compensation Insurance		194	160
Other		63	47
Less: Capitalised and distributed costs		(368)	(324)
Total Operating Employee Costs		7,983	7,286
Total Number of Employees		111	108
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		17	16
- Other Services		-	-
Elected members' expenses		319	356
Election expenses		-	1
Subtotal - Prescribed Expenses		336	373
<u>Other Materials, Contracts & Expenses</u>			
Contractors		3,673	3,293
Energy		689	640
Maintenance		11	14
Legal Expenses		66	107
Levies paid to government - NRM levy		513	478
Parts, accessories & consumables		1,775	1,933
Professional services		34	63
Sundry		1,907	1,235
Subtotal - Other Materials, Contracts & Expenses		8,668	7,763
		9,004	8,136



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 3 - EXPENSES (cont)

	Notes	2012 \$'000	2011 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,632	2,392
Infrastructure		1,556	1,382
Plant & Equipment		846	784
Minor Plant		21	30
Office Equipment		259	208
Other		177	199
		<u>5,491</u>	<u>4,995</u>
FINANCE COSTS			
Interest on Borrowing		560	325
		<u>560</u>	<u>325</u>



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2012 \$'000	2011 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		257	390
Less: Carrying amount of assets sold		419	100
Gain (Loss) on disposal		<u>(162)</u>	<u>290</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(162)</u>	<u>290</u>



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 5 - CURRENT ASSETS

	Notes	2012 \$'000	2011 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		823	4,597
Deposits at Call		158	3,701
		<u>981</u>	<u>8,298</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		375	298
Accrued Revenues		73	91
Debtors - general		519	1,355
GST Recoupment		57	324
Loans to community organisations		107	196
Total		<u>1,131</u>	<u>2,264</u>
INVENTORIES			
Stores & Materials		28	22
Trading Stock		19	13
		<u>47</u>	<u>35</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 2012

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2012 \$'000	2011 \$'000
Receivables			
Loans to community organisations		339	350
TOTAL FINANCIAL ASSETS		339	350



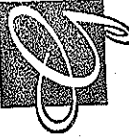
CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2011 \$'000				2012 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	27,435	928	-	28,363	39,459	1,567	-	41,026
Buildings & Other Structures	48,389	18,352	(10,526)	56,215	155,588	-	(43,479)	112,109
Infrastructure	40,010	11,413	(6,160)	45,263	75,559	-	(18,934)	56,625
Plant & Equipment	2,383	4,391	(2,233)	4,541	4,685	-	-	4,685
Minor Plant	30	218	(139)	109	155	-	-	155
Office Equipment	75	1,520	(377)	1,218	-	1,656	(636)	1,020
Other	1,936	499	(1,174)	1,261	1,926	-	-	1,926
TOTAL PROPERTY, PLANT & EQUIPMENT	120,258	37,321	(20,609)	136,970	277,372	3,223	(63,049)	217,546
Comparatives	120,258	27,148	(16,408)	130,998	120,258	37,321	(20,609)	136,970

This Note continues on the following pages.



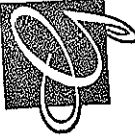
CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	CARRYING AMOUNT MOVEMENTS DURING YEAR								2012 \$'000
	2011 \$'000	\$'000							
		CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers	
	New/Upgrade	Renewals							
Land	28,363	1,498	-	-	-	-	-	11,165	41,026
Buildings & Other Structures	56,215	6,007	836	-	(2,632)	-	-	51,683	112,109
Infrastructure	45,263	451	1,711	(317)	(1,556)	-	-	11,073	56,625
Plant & Equipment	4,541	114	552	(102)	(846)	-	-	426	4,685
Minor Plant	109	19	-	-	(21)	-	-	48	155
Office Equipment	1,218	58	-	-	(259)	-	-	3	1,020
Other	1,261	46	-	-	(177)	-	-	796	1,926
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	136,970	8,193	3,099	(419)	(5,491)	-	-	75,194	217,546
Comparatives	130,998	8,121	2,946	(100)	(4,995)	-	-	-	136,970

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 2012

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

Valuation of Assets

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

Land & Land Improvements

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

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

Land improvements, including bulk earthworks with an assessed unlimited useful life, are recognised on the cost basis, originally deriving from a valuation at 30 June 2006 at current replacement cost. Additions are recognised at cost.

With the exclusion of the 'Old Hospital Site' which has been recognised at cost, these assets were revalued as at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing Valuer of Maloney Field Services.

Buildings & Other Structures

Buildings and other structures generally are recognised on their replacement cost basis deriving from a valuation by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing Valuer of Maloney Field Services at 30 June 2012. Additions are recognised at cost.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2012, based on actual costs incurred during the reporting periods ended 30 June 2010 and 2011. 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 2012 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2011. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

Plant & Equipment and Minor Plant assets were valued by council officers at depreciated current replacement cost during the reporting period ended 30 June 2012, based on actual costs incurred during the reporting periods ended 30 June 2010 and 2011. The remaining assets are recognised on the cost basis.

All other assets

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



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 8 - LIABILITIES

		2012 \$'000		2011 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		831	-	1,085	-
Payments received in advance		29	-	195	-
Accrued expenses - employee entitlements		-	-	215	-
Accrued expenses - other		24	-	32	-
Deposits, Retentions & Bonds		347	-	-	-
		<u>1,231</u>	<u>-</u>	<u>1,527</u>	<u>-</u>
BORROWINGS					
Loans		438	4,674	758	8,356
		<u>438</u>	<u>4,674</u>	<u>758</u>	<u>8,356</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,854	235	1,736	251
		<u>1,854</u>	<u>235</u>	<u>1,736</u>	<u>251</u>



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2011	Net Increments (Decrements)	Transfers, Impairments	30/6/2012
Notes	\$'000	\$'000	\$'000	\$'000
Land	19,346	11,165	-	30,511
Buildings & Other Structures	43,354	51,683	-	95,037
Infrastructure	12,645	11,073	-	23,718
Plant & Equipment	69	426	-	495
Minor Plant	2,821	847	-	3,668
TOTAL	78,235	75,194	-	153,429
<i>Comparatives</i>	<i>78,235</i>	<i>-</i>	<i>-</i>	<i>78,235</i>

OTHER RESERVES	1/7/2011	Transfers to Reserve	Transfers from Reserve	30/6/2012
Long Service Leave	676	48	-	724
Off Street Car Park	190	77	-	267
Plant Replacement	1,372	189	-	1,561
Lady Nelson Park Development	6	-	-	6
Asset Replacement	-	1,296	-	1,296
Land Division - Outstanding work	232	-	-	232
Downstream Drainage	122	29	(90)	61
City Centre Improvement	676	12	-	688
Major Capital Works	2	480	-	482
Mount Gambier Cemetery Trust	103	4	-	107
Junior Sporting Fund	55	-	(3)	52
TOTAL OTHER RESERVES	3,434	2,135	(93)	5,476
<i>Comparatives</i>	<i>9,189</i>	<i>3,470</i>	<i>(9,225)</i>	<i>3,434</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets and available-for-sale financial assets.

Other Reserves

Long Service Leave

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

Off Street Car Parking Reserve

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



Plant Replacement

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

Lady Nelson Park Development

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

Asset Replacement

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

Land Division Outstanding Works

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

Downstream Drainage

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

Work in Progress

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

City Centre Improvement

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

Major Capital Works

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

Mount Gambier Cemetery Trust

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

Junior Sporting Fund

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



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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	2012 \$'000	2011 \$'000
Total cash & equivalent assets	5	981	8,298
Balances per Cash Flow Statement		<u>981</u>	<u>8,298</u>

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

Net Surplus (Deficit)	1,129	1,972
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	5,491	4,995
Net increase (decrease) in unpaid employee benefits	(113)	179
Non-cash asset acquisitions	-	-
Grants for capital acquisitions treated as Investing Activity	(1,874)	(2,792)
Net (Gain) Loss on Disposals	162	(290)
	<u>4,795</u>	<u>4,064</u>
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	1,044	(974)
Net (increase) decrease in inventories	(12)	9
Net increase (decrease) in trade & other payables	(81)	157
Net Cash provided by (or used in) operations	<u>5,746</u>	<u>3,256</u>

(c) Financing Arrangements

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

Bank Overdrafts	-	3,056
Corporate Credit Cards	27	15
LGFA Cash Advance Debenture facility	7,000	-

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



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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	2012	2011	2012	2011	
2012	2011	2012	2011	2012	2011	\$'000	\$'000	\$'000	\$'000	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000					\$'000
17,177	15,678	4,047	4,450	13,130	11,228	2,583	1,900	24,237	11,290	
252	993	1,889	3,396	(1,637)	(2,403)	8	124	15,382	10,516	
732	109	2,965	963	(2,233)	(854)	140	-	57,770	22,994	
398	391	1,422	1,298	(1,024)	(907)	129	-	6,522	3,495	
1,641	1,094	3,185	3,395	(1,544)	(2,301)	-	-	6,158	4,831	
1,151	90	2,860	2,650	(1,709)	(2,560)	-	-	49,002	31,913	
309	347	1,113	1,069	(804)	(722)	-	-	-	-	
192	248	1,901	1,760	(1,709)	(1,512)	241	-	44,918	42,726	
-	-	2,273	772	(2,273)	(772)	-	-	9,127	5,142	
603	682	1,383	989	(780)	(307)	-	-	6,928	15,010	
22,455	19,632	23,038	20,742	(583)	(1,110)	3,101	2,024	220,044	147,917	
TOTALS										

Administration / Support Services

Community Support

Culture

Economic Development

Environment

Recreation

Regulatory Services

Transport

Engineering/ Indirect

Unclassified Activities

TOTALS

Excludes net gain (loss) on disposal or revaluation of assets, 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 2012

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, 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 Station, 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 2012

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 3.50% and 4.00% (2011: 4.00% and 4.75%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment) Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.75% (2011: 0.75%) 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>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.05% and 7.90% (2011: 5.05% and 6.90%)</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 2012

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2012	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	981			981	981
Receivables	592	-	-	592	592
Other Financial Assets	108	270	68	446	446
Total	1,681	270	68	2,019	2,019
Financial Liabilities					
Payables	1,207	-	-	1,207	1,207
Current Borrowings	438	-	-	438	438
Non-Current Borrowings	118	689	3,867	4,674	4,674
Total	1,763	689	3,867	6,319	6,319

2011	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	8,298			8,298	8,298
Receivables	1,446	-	-	1,446	1,446
Other Financial Assets	50	435	61	546	546
Total	9,794	435	61	10,290	10,290
Financial Liabilities					
Payables	1,280	-	-	1,280	1,280
Current Borrowings	758	-	-	758	758
Non-Current Borrowings		1,221	7,135	8,356	8,356
Total	2,038	1,221	7,135	10,394	10,394

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

	30 June 2012		30 June 2011	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	5.50%	700		1,280
Fixed Interest Rates	6.48%	4,412	6.50%	9,114
		<u>5,112</u>		<u>10,394</u>

Net Fair Value

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



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 12 (cont) - 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 Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

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



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

Note 13 - FINANCIAL INDICATORS

	2012	2011	2010
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

Operating Surplus Ratio

<u>Operating Surplus</u>	(4%)	(8%)	2%
Rates - general & other less NRM levy			

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

Adjusted Operating Surplus Ratio	(16%)	(9%)	2%
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*In each of June 2009, 2010 and 2011 the Commonwealth Government made an advance of one quarterly payment of the Financial Assistance Grant. In June 2012 an advance of two quarterly payments was made (see Note 2). Accordingly there were four "quarterly" payments in 2010 and 2011, and five payments in 2012. The **Adjusted Operating Surplus Ratio** adjusts for this distortion.*

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	27%	9%	-12%
Total Operating Revenue less NRM levy			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue (excluding NRM levy).

Asset Sustainability Ratio

<u>Net Asset Renewals</u>	52%	51%	50%
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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.



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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

	2012 \$'000	2011 \$'000
Income	22,455	19,632
less Expenses	<u>23,038</u>	<u>20,742</u>
Operating Surplus / (Deficit)	(583)	(1,110)
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	3,099	2,946
less Depreciation, Amortisation and Impairment	5,491	4,995
less Proceeds from Sale of Replaced Assets	<u>257</u>	<u>390</u>
	(2,649)	(2,439)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	8,193	8,121
less Amounts received specifically for New and Upgraded Assets	1,874	2,792
less Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	<u>-</u>	<u>-</u>
	6,319	5,329
Net Lending / (Borrowing) for Financial Year	(4,253)	(4,000)



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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:

	2012 \$'000	2011 \$'000
Not later than one year	62	64
Later than one year and not later than 5 years	94	91
Later than 5 years	-	-
	<u>156</u>	<u>155</u>



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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 2011/12; 9% in 2010/11). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (6.3% in 2010/11) of "superannuation" salary.

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

The Salarylink Fund is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each 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 actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.



CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2012

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 216 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. LEGAL EXPENSES

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

4. "CARBON" TAX

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commences operation. Council has a number of garbage landfill facilities which emit, and will continue for many years to emit, gases of this type. Information currently available provides assurances that "legacy emissions" from garbage placed in landfills prior to commencement of the tax will not subsequently become liable to the tax. However, details of the mechanisms for measuring such emissions, or of providing the exemption are not currently available.



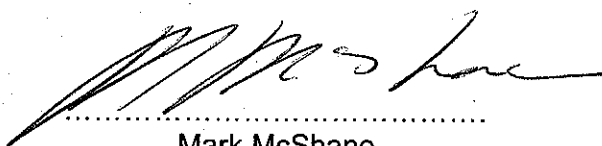
CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

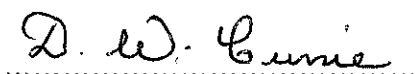
CERTIFICATION OF AUDITOR INDEPENDENCE

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 2012, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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



Mark McShane
CHIEF EXECUTIVE OFFICER



Donald Currie
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date: 21/11/2012

CITY OF MOUNT GAMBIER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012

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 2012, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



Simon Christopher Smith

Galpins Accountants, Auditors & Business Consultants

Dated this 20th day of November 2012