



City of Mount Gambier

Financial Statements

2012 / 2013

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CITY OF MOUNT GAMBIER
General Purpose Financial Reports
for the year ended 30 June 2013

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CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013

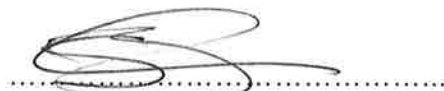
CERTIFICATION OF FINANCIAL STATEMENTS

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 2013 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: 15th October 2013

CITY OF MOUNT GAMBIER

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
INCOME			
Rates	2	15,772	14,881
Statutory charges	2	357	310
User charges	2	3,393	3,157
Grants, subsidies and contributions	2	2,232	3,101
Investment income	2	31	141
Reimbursements	2	191	598
Other income	2	476	267
Total Income		22,452	22,455
EXPENSES			
Employee costs	3	8,318	7,983
Materials, contracts & other expenses	3	7,837	9,004
Depreciation, amortisation & impairment	3	5,662	5,491
Finance costs	3	336	560
Total Expenses		22,153	23,038
OPERATING SURPLUS / (DEFICIT)		299	(583)
Asset disposal & fair value adjustments	4	(1,838)	(162)
Amounts received specifically for new or upgraded assets	2	835	1,874
NET SURPLUS / (DEFICIT)		(704)	1,129
transferred to Equity Statement			
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	-	53,339
Total Other Comprehensive Income		-	53,339
TOTAL COMPREHENSIVE INCOME		(704)	54,468

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

CITY OF MOUNT GAMBIER

BALANCE SHEET as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	675	981
Trade & other receivables	5	1,149	1,131
Inventories	5	40	47
Total Current Assets		1,864	2,159
Non-current Assets			
Financial assets	6	248	339
Infrastructure, property, plant & equipment	7	194,011	195,691
Total Non-current Assets		194,259	196,030
Total Assets		196,123	198,189
LIABILITIES			
Current Liabilities			
Trade & other payables	8	1,116	1,231
Borrowings	8	356	438
Provisions	8	1,723	1,854
Total Current Liabilities		3,195	3,523
Non-current Liabilities			
Borrowings	8	3,618	4,674
Provisions	8	257	235
Total Non-current Liabilities		3,875	4,909
Total Liabilities		7,070	8,432
NET ASSETS		189,053	189,757
EQUITY			
Accumulated Surplus		48,060	52,707
Asset Revaluation Reserves	9	131,574	131,574
Other Reserves	9	9,419	5,476
TOTAL EQUITY		189,053	189,757

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 2013

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Available for sale Financial Assets \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
2013						
Balance at end of previous reporting period		52,707	131,574	-	5,476	189,757
Restated opening balance		52,707	131,574	-	5,476	189,757
Net Surplus / (Deficit) for Year		(704)				(704)
Other Comprehensive Income						
Transfers between reserves	9	(3,943)			3,943	-
Balance at end of period		48,060	131,574	-	9,419	189,053

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						
Changes in revaluation surplus - infrastructure, property, plant & equipment			53,339			53,339
Transfers between reserves		(2,042)			2,042	-
Balance at end of period		52,707	131,574	-	5,476	189,757

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 2013

	2013 \$'000	2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	
<u>Receipts</u>		
Rates - general & other	15,754	14,804
Fees & other charges	385	335
User charges	3,676	4,103
Investment receipts	63	159
Grants utilised for operating purposes	2,399	3,334
Reimbursements	210	658
Other revenues	2,022	507
<u>Payments</u>		
Employee costs	(8,407)	(8,096)
Materials, contracts & other expenses	(10,049)	(9,490)
Finance payments	(342)	(568)
Net Cash provided by (or used in) Operating Activities	5,711	5,746
 CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Receipts</u>		
Amounts specifically for new or upgraded assets	835	1,874
Sale of replaced assets	212	257
Repayments of loans by community groups	106	108
<u>Payments</u>		
Expenditure on renewal/replacement of assets	(5,010)	(3,099)
Expenditure on new/upgraded assets	(1,022)	(8,193)
Loans made to community groups	-	(8)
Net Cash provided by (or used in) Investing Activities	(4,879)	(9,061)
 CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Receipts</u>		
Proceeds from borrowings	-	-
<u>Payments</u>		
Repayments of borrowings	(1,138)	(4,002)
Net Cash provided by (or used in) Financing Activities	(1,138)	(4,002)
Net Increase (Decrease) in cash held	(306)	(7,317)
 Cash & cash equivalents at beginning of period	10 981	8,298
Cash & cash equivalents at end of period	10 675	981

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 2013

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

The 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

In the month of June in recent years the Federal Government has paid amounts of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2011, one quarter of the 2011/12 allocation amounting to \$552 was paid in advance; in June 2012, two quarters of the 2012/13 allocation: \$1,196; and in June 2013, again two quarters of the 2013/14 allocation: \$1,267. Accordingly, in the reporting period ended 30 June 2013, Council's operating surplus was effectively overstated by \$1,267.

It is anticipated that these amounts in advance will be adjusted at some future time, but details of the timing of this are not currently available. The total amounts to be adjusted at 30 June 2013 is \$1,267 (\$2012, \$1,196).

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

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

6.2 Initial Recognition

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

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

6.3 Materiality

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

6.4 Subsequent Recognition

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

6.5 Depreciation of Non-Current Assets

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

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

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

6.6 Impairment

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

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

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.

6.7 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

7 Voluntary Change in Accounting Policy

The financial report has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to the accounting treatment of buildings, structures and other improvements that are not under Council's control.

The new accounting policy in relation to buildings, structures and other improvements is that Council will only recognise such items that it controls.

The previous accounting policy was to include all buildings, structures and other improvements regardless of whom the controlling entity was which has resulted in an overstatement of Council's assets.

Council has created a new class of assets known as 'Not Council Controlled'. The value of this asset class were all previously included in a valuation at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing Valuer of Maloney Field Services at current replacement cost. Given the significance of the value of this asset class, it was considered appropriate to change the accounting policy.

The impact of the change in accounting policy on the Balance Sheet and the Statement of Changes in Equity is set out below:

7.1 Balance Sheet

The removal of assets that are 'Not Council Controlled' required the balances of our Building/Structure assets to be restated as at 1 July 2012 resulting in a net decrease of \$21,855 to the Infrastructure, property, plant & equipment category.

7.2 Statement of Changes in Equity

The removal of assets that are 'Not Council Controlled' required the balances of our Building/Structure assets to be restated as at 1 July 2012 resulting in a net decrease of \$21,855 to the Asset Revaluation reserve.

8 Payables

8.1 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.

8.2 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.

9 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note 1 - Significant Accounting Policies (cont)

10 Employee Benefits

10.1 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	3.06% (2012, 4.00%)
Weighted average settlement period	1 year (2012, 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.

10.2 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.

11 Provision for Carbon Taxation

Council operates a landfill facility, of which, and in aggregate, is below the taxation threshold of 25,000 tonnes of carbon dioxide equivalent (CO₂e) gas emissions.

Council considers that it has no current or likely future liability for this tax.

12 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.

13 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2013**

Note 1 - Significant Accounting Policies (cont)

Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

14 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 7	Financial Instruments – Disclosures
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 132	Financial Instruments: Presentation

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2011-7, AASB 2011-8, AASB 2011-10, AASB 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6 and AASB 2012-10.

(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 2013

Note 2 - INCOME

	Notes	2013 \$'000	2012 \$'000
RATES REVENUES			
<u>General Rates</u>		15,479	14,587
Less: Discretionary rebates, remissions & write offs		(153)	(137)
		<u>15,326</u>	<u>14,450</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		536	515
		<u>536</u>	<u>515</u>
<u>Other Charges</u>			
Penalties for late payment		63	53
		<u>63</u>	<u>53</u>
Less: Discretionary rebates, remissions & write offs		(153)	(137)
		<u>15,772</u>	<u>14,881</u>
 STATUTORY CHARGES			
Development Act fees		90	70
Town planning fees		105	102
Animal registration fees & fines		121	117
Parking fines / expiation fees		29	13
Other licences, fees, & fines		12	8
		<u>357</u>	<u>310</u>
 USER CHARGES			
Cemetery/crematoria fees		643	678
Green Waste Collection		360	345
Hall & equipment hire		42	41
Sales - general		2,126	1,887
Sundry		222	206
		<u>3,393</u>	<u>3,157</u>
 INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		21	124
Banks & other		8	14
Loans to community groups		2	3
		<u>31</u>	<u>141</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

NOTE 2 - INCOME (continued)

	Notes	2013 \$'000	2012 \$'000
REIMBURSEMENTS			
- for roadworks		52	172
- for private works		56	275
- other		83	151
		<u>191</u>	<u>598</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		399	230
Donations		53	36
Sundry		24	1
		<u>476</u>	<u>267</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		835	1,874
Other grants, subsidies and contributions		2,232	3,101
		<u>3,067</u>	<u>4,975</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		189	1,649
State government		2,878	3,326
Other		-	-
		<u>3,067</u>	<u>4,975</u>

Individually Significant Item

On 14 June 2012, Council received \$1,196 payment of the first two instalments of the 2012/13 Grant commission (FAG) grant. Also on 27 June 2012, Council received \$1,000 grant for Stage 1 of the Railway Lands redevelopment.

1,267	2,196
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Similarly, on 12 June 2013 Council received \$1,267 payment of the first two instalments of the 2013/14 grant.

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.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

NOTE 2 - INCOME (continued)

	Notes	2013 \$'000	2012 \$'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>			
Unexpended at the close of the previous reporting period		1,000	-
Less: expended during the current period from revenues recognised in previous reporting periods			
New Library & Main Corner Development		-	-
Subtotal			
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions			
Railway Lands			1,000
Subtotal			1,000
Unexpended at the close of this reporting period		1,000	1,000
Net increase (decrease) in assets subject to conditions in the current reporting period		-	1,000

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 3 - EXPENSES

	Notes	2013 \$'000	2012 \$'000
EMPLOYEE COSTS			
Salaries and Wages		7,770	7,481
Employee leave expense		37	(112)
Superannuation - defined contribution plan contributions	18	744	725
Workers' Compensation Insurance		211	194
Other		67	63
Less: Capitalised and distributed costs		(511)	(368)
Total Operating Employee Costs		8,318	7,983
 Total Number of Employees		 116	 111
<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		19	17
Elected members' expenses		284	319
Subtotal - Prescribed Expenses		303	336
 <u>Other Materials, Contracts & Expenses</u>			
Contractors		2,887	3,673
Energy		845	689
Maintenance		6	11
Legal Expenses		46	66
Levies paid to government - NRM levy		532	513
Parts, accessories & consumables		1,507	1,775
Professional services		80	34
Sundry		1,631	1,907
Subtotal - Other Materials, Contracts & Expenses		7,534	8,668
		7,837	9,004

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 3 - EXPENSES (cont)

	Notes	2013 \$'000	2012 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,606	2,632
Infrastructure		1,953	1,556
Plant & Equipment		591	846
Minor Plant		22	21
Office Equipment		258	259
Other		232	177
		<u>5,662</u>	<u>5,491</u>
 FINANCE COSTS			
Interest on Loans		<u>336</u>	<u>560</u>
		<u>336</u>	<u>560</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2013 \$'000	2012 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		212	257
Less: Carrying amount of assets sold		2,050	419
Gain (Loss) on disposal		<u>(1,838)</u>	<u>(162)</u>
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		 <u>(1,838)</u>	 <u>(162)</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 5 - CURRENT ASSETS

	Notes	2013 \$'000	2012 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		167	823
Deposits at Call		508	158
		<u>675</u>	<u>981</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		393	375
Rates postponed for State Seniors		-	-
Accrued Revenues		41	73
Debtors - general		537	519
GST Recoupment		86	57
Loans to community organisations		92	107
		<u>1,149</u>	<u>1,131</u>
INVENTORIES			
Stores & Materials		24	28
Trading Stock		16	19
		<u>40</u>	<u>47</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 2013

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2013 \$'000	2012 \$'000
Receivables			
Loans to community organisations		248	339
TOTAL FINANCIAL ASSETS		248	339

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2012 \$'000				2013 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	39,459	1,567	-	41,026	39,459	1,729	-	41,188
Buildings & Other Structures	119,558	-	(29,304)	90,254	118,774	-	(31,434)	87,340
Infrastructure	75,559	-	(18,934)	56,625	75,559	3,515	(20,888)	58,186
Plant & Equipment	4,685	-	-	4,685	4,685	349	(583)	4,451
Minor Plant	155	-	-	155	155	43	(22)	176
Office Equipment	-	1,656	(636)	1,020	-	1,716	(894)	822
Other	1,926	-	-	1,926	1,926	154	(232)	1,848
TOTAL PROPERTY, PLANT & EQUIPMENT	241,342	3,223	(48,874)	195,691	240,558	7,506	(54,053)	194,011
Comparatives	120,258	37,321	(20,609)	136,970	241,342	3,223	(48,874)	195,691

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 2013

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2012	CARRYING AMOUNT MOVEMENTS DURING YEAR							2013
	\$'000	\$'000							\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers	Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals							
Land	41,026	200	-	(38)	-	-	-	-	41,188
Buildings & Other Structures	90,254	572	997	(1,877)	(2,606)	-	-	-	87,340
Infrastructure	56,625	-	3,514	-	(1,953)	-	-	-	58,186
Plant & Equipment	4,685	48	444	(135)	(591)	-	-	-	4,451
Minor Plant	155	-	43	-	(22)	-	-	-	176
Office Equipment	1,020	48	12	-	(258)	-	-	-	822
Other	1,926	154	-	-	(232)	-	-	-	1,848
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	195,691	1,022	5,010	(2,050)	(5,662)	-	-	-	194,011
Comparatives	136,970	8,193	3,099	(419)	(5,491)			75,194	195,691

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 2013

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 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practising Valuer of Maloney Field Services at current replacement cost. Additions are recognised at cost.

Buildings & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values. These assets were revalued as at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practising Valuer of Maloney Field Services at current replacement cost. As at 30 June 2013 Building and Structures that are 'Not Council Controlled' were identified and were removed from our financial statements. Further details of this decision are provided at Note 1 under the Voluntary Change in Accounting Policy disclosure.

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 2011 and 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure were 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 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

Plant, Furniture & Equipment

These assets 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 2012. All acquisitions made after the respective dates of valuation are recorded at cost.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials were 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 2012. All acquisitions made after the respective dates of valuation are capitalised in bulk, and written out when fully depreciated.

Capitalisation Thresholds

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

Office Furniture & Equipment	\$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
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

Coalface Model Council

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 7 – Property, Plant & Equipment (cont)

Estimated Useful Lives

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

Plant, Furniture & Equipment	
Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years
Building & Other Structures	
Buildings – masonry	50 to 100 years
Buildings – other construction	20 to 40 years
Park Structures – masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years
Infrastructure	
Sealed Roads – Surface	15 to 25 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	50 years
Paving & Footpaths, Kerb & Gutter	10 to 70 years
Drains	70 years
Other Assets	
Library Books	10 to 15 years
Artworks	indefinite

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 8 - LIABILITIES

		2013 \$'000		2012 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		1,001		831	
Payments received in advance		33	-	29	-
Accrued expenses - employee entitlements		20	-	-	-
Accrued expenses - other		18	-	24	-
Deposits, Retentions & Bonds		44	-	347	-
		<u>1,116</u>	<u>-</u>	<u>1,231</u>	<u>-</u>
 BORROWINGS					
Loans		356	3,618	438	4,674
		<u>356</u>	<u>3,618</u>	<u>438</u>	<u>4,674</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
 PROVISIONS					
Employee entitlements (including oncosts)		1,723	257	1,854	235
		<u>1,723</u>	<u>257</u>	<u>1,854</u>	<u>235</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2012	Net Increments (Decrements)	Transfers, Impairments	30/6/2013
Notes	\$'000	\$'000	\$'000	\$'000
Land	30,511			30,511
Buildings & Other Structures	73,182			73,182
Infrastructure	23,718			23,718
Minor Plant	495			495
Office Equipment	3,668			3,668
TOTAL	131,574			131,574
<i>Comparatives</i>	<i>78,235</i>	<i>53,339</i>		<i>131,574</i>

OTHER RESERVES	1/7/2012	Transfers to Reserve	Transfers from Reserve	30/6/2013
Long Service Leave	724			724
Off Street Car Park	267			267
Plant Replacement	1,561			1,561
Lady Nelson Park Development	6			6
Asset Replacement	1,296			1,296
Land Division - Outstanding Work	232			232
Downstream Drainage	61	55		116
Work in Progress		3,537		3,537
City Centre Improvement	688			688
Major Capital Works	482			482
Mount Gambier Cemetery Trust	107	359		466
Junior Sporting Fund	52		(8)	44
TOTAL OTHER RESERVES	5,476	3,951	(8)	9,419
<i>Comparatives</i>	<i>3,434</i>	<i>2,135</i>	<i>(93)</i>	<i>5,476</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other Reserves

Long Service Leave

Established to fund City of Mount Gambier employee long service leave entitlements.

Ongoing Reserve Fund

Transfer 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 Parking Reserve

Established to fund off street car parking initiatives in the Mount Gambier City Centre precinct

Ongoing Reserve Fund

Transfer 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 and interest received

Lady Nelson Park Development

Established to fund any development works that may occur at The Lady Nelson suite

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 sale etc.

Land Division Outstanding Works

Funds held in trust to ensure land divisions 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 Funds

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 project that are carried over from one budgetary year to the next

Ongoing reserve fund

Transfers from the Fund are made 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 complete 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 Funds

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 2013

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	2013 \$'000	2012 \$'000
Total cash & equivalent assets	5	675	981
Balances per Cash Flow Statement		675	981

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

Net Surplus (Deficit)	(704)	1,129
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	5,662	5,491
Net increase (decrease) in unpaid employee benefits	(89)	(113)
Grants for capital acquisitions treated as Investing Activity	(835)	(1,874)
Net (Gain) Loss on Disposals	1,838	162
	5,872	4,795
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(33)	1,044
Net (increase) decrease in inventories	7	(12)
Net increase (decrease) in trade & other payables	(135)	(81)
Net Cash provided by (or used in) operations	5,711	5,746

(c) Financing Arrangements

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

Corporate Credit Cards	27	27
LGFA Cash Advance Debenture facility	12,000	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 2013

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					
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
17,858	17,177	4,790	4,047	13,068	13,130	2,584	2,583	21,602	21,830	
826	252	1,831	1,889	(1,005)	(1,637)	44	8	13,711	13,855	
527	732	2,851	2,965	(2,324)	(2,233)	234	140	51,491	52,033	
407	398	1,293	1,422	(886)	(1,024)	-	129	5,813	5,874	
1,888	1,641	3,065	3,185	(1,177)	(1,544)	10	-	5,488	5,546	
105	1,151	2,179	2,860	(2,074)	(1,709)	-	-	43,676	44,136	
357	309	1,161	1,113	(804)	(804)	-	-	-	-	
177	192	2,486	1,901	(2,309)	(1,709)	195	241	40,035	40,457	
-	-	1,883	2,273	(1,883)	(2,273)	-	-	8,134	8,220	
307	603	614	1,383	(307)	(780)	-	-	6,173	6,238	
22,452	22,455	22,153	23,038	299	(583)	3,067	3,101	196,123	198,189	

Administration / Support Services

Community Support

Culture

Economic Development

Environment

Recreation

Regulatory Services

Transport

Engineering / Indirect

Unclassified Activities

TOTALS

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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 2013

Note 12 - FINANCIAL INSTRUMENTS

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

Accounting Policies - 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: Short term deposits have an average maturity of 1 day and an average interest rates of 2.75% (2012: 1 day, 3.75%).</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 0.708% (2012: 0.77%) 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 State and Federal Governments.</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 (principal and interest over a fixed term); interest is charged at fixed (or variable) rates between 5.05% and 7.90% (2012: 5.05% and 7.90%)</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 2013

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2013	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	675			675	675
Receivables	578	-	-	578	578
Other Financial Assets	92	212	35	339	339
Total	1,345	212	35	1,592	1,592
Financial Liabilities					
Payables	1,078	-	-	1,078	1,078
Current Borrowings	356	-	-	356	356
Non-Current Borrowings	-	828	2,790	3,618	3,618
Total	1,434	828	2,790	5,052	5,052

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

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

	30 June 2013		30 June 2012	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	5.00	-	5.50	700
Fixed Interest Rates	6.55	3,974	6.48	4,412
		<u>3,974</u>		<u>5,112</u>

Net Fair Value

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

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

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

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 13 - FINANCIAL INDICATORS

	2013	2012	2011
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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>	2%	(4%)	(8%)
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

	2%	(4%)	(9%)
--	----	------	------

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

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	23%	27%	9%
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>	85%	52%	51%
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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 2013

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

	2013 \$'000	2012 \$'000
Income	22,452	22,455
less Expenses	22,153	23,038
Operating Surplus / (Deficit)	299	(583)
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	5,010	3,099
less Depreciation, Amortisation and Impairment	5,662	5,491
less Proceeds from Sale of Replaced Assets	212	257
	(864)	(2,649)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	1,022	8,193
less Amounts received specifically for New and Upgraded Assets	835	1,874
less Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	-	-
	187	6,319
Net Lending / (Borrowing) for Financial Year	976	(4,253)

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

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.

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:

	2013 \$'000	2012 \$'000
Not later than one year	63	62
Later than one year and not later than 5 years	39	94
Later than 5 years	-	-
	<u>102</u>	<u>156</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

Note 16 – SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to 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 2012/13; 9% in 2011/12). 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 Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2011/12) 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 section 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 2013

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 219 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 \$210 (2012: \$0) 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 1 appeal 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.

5. "CARBON" TAX

From 1 July 2012 a new tax on emissions of certain "greenhouse" gases commenced operation. Council has two garbage landfill facilities which emit, and will continue for many years to emit, gases of this type.

Using current calculation methods, emissions from Council's landfill facilities are substantially below current taxable thresholds. This situation is expected to continue while thresholds remain at current levels.

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, should taxable thresholds be substantially reduced Council may be subject to taxation on landfill deposits made after 1 July 2012. No liability has been recognised in these reports.



Accountants, Auditors
& Business Consultants

Laurie Galpin FCPA
David Chant FCPA
Simon Smith FCPA
David Sullivan CPA
Jason Seidel CA
Renae Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
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INDEPENDENT AUDITOR'S REPORT

To the members of City of Mount Gambier

Report on the Financial Report

We have audited the accompanying financial report of City of Mount Gambier (the Council), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of City of Mount Gambier.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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


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

Independence

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

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of City of Mount Gambier as at 30 June 2013, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTSA handwritten signature in blue ink, appearing to read 'Simon Smith', with a stylized flourish at the end.

Simon Smith FCPA, Registered Company Auditor
Partner

10 / 10 / 2013

CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013

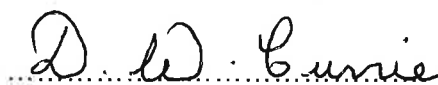
CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30 June 2013, 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: 15th October 2013

CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013

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 2013, 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 10th day of October 2013