



City of Mount Gambier

Financial Statements

2013 / 2014

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CITY OF MOUNT GAMBIER

General Purpose Financial Reports for the year ended 30 June 2014

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CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

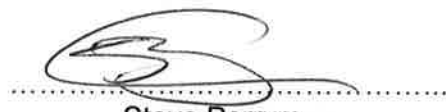
CERTIFICATION OF FINANCIAL STATEMENTS

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 2014 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: 21st October, 2014.

CITY OF MOUNT GAMBIER

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
INCOME			
Rates	2	16,826	15,772
Statutory charges	2	378	357
User charges	2	3,530	3,393
Grants, subsidies and contributions	2	1,278	2,232
Investment income	2	32	31
Reimbursements	2	229	191
Other income	2	467	476
Total Income		<u>22,740</u>	<u>22,452</u>
EXPENSES			
Employee costs	3	8,772	8,318
Materials, contracts & other expenses	3	8,467	7,837
Depreciation, amortisation & impairment	3	5,907	5,662
Finance costs	3	262	336
Total Expenses		<u>23,408</u>	<u>22,153</u>
OPERATING SURPLUS / (DEFICIT)		(668)	299
Asset disposal & fair value adjustments	4	(3,227)	(1,838)
Amounts received specifically for new or upgraded assets	2	3,064	835
NET SURPLUS / (DEFICIT)		<u>(831)</u>	<u>(704)</u>
transferred to Equity Statement			
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>(831)</u>	<u>(704)</u>

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

CITY OF MOUNT GAMBIER

STATEMENT OF FINANCIAL POSITION as at 30 June 2014

ASSETS	Notes	2014 \$'000	2013 \$'000
Current Assets			
Cash and cash equivalents	5	1,173	675
Trade & other receivables	5	1,132	1,149
Inventories	5	37	40
Total Current Assets		<u>2,342</u>	<u>1,864</u>
Non-current Assets			
Financial assets	6	154	248
Infrastructure, property, plant & equipment	7	195,144	194,011
Total Non-current Assets		<u>195,298</u>	<u>194,259</u>
Total Assets		<u>197,640</u>	<u>196,123</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	2,643	1,116
Borrowings	8	243	356
Provisions	8	1,742	1,723
Total Current Liabilities		<u>4,628</u>	<u>3,195</u>
Non-current Liabilities			
Borrowings	8	4,538	3,618
Provisions	8	252	257
Total Non-current Liabilities		<u>4,790</u>	<u>3,875</u>
Total Liabilities		<u>9,418</u>	<u>7,070</u>
NET ASSETS		<u>188,222</u>	<u>189,053</u>
EQUITY			
Accumulated Surplus		46,307	48,060
Asset Revaluation Reserves	9	131,574	131,574
Other Reserves	9	10,341	9,419
TOTAL EQUITY		<u>188,222</u>	<u>189,053</u>

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

CITY OF MOUNT GAMBIER

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

2014

Balance at end of previous reporting period
Restated opening balance
Net Surplus / (Deficit) for Year
Other Comprehensive Income
Transfers between reserves
Balance at end of period

Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Available for sale Financial Assets \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
	48,060	131,574	-	9,419	189,053
	48,060 (831)	131,574	-	9,419	189,053 (831)
	(922)			922	-
	46,307	131,574	-	10,341	188,222

2013

Balance at end of previous reporting period
Restated opening balance
Net Surplus / (Deficit) for Year
Other Comprehensive Income
Transfers between reserves
Balance at end of period

	52,707	131,574	-	5,476	189,757
	52,707 (704)	131,574	-	5,476	189,757 (704)
	(3,943)			3,943	-
	48,060	131,574	-	9,419	189,053

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

CITY OF MOUNT GAMBIER

STATEMENT OF CASH FLOWS for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		16,808	15,754
Fees & other charges		408	385
User charges		3,993	3,676
Investment receipts		69	63
Grants utilised for operating purposes		1,374	2,399
Reimbursements		252	210
Other revenues		2,748	2,022
<u>Payments</u>			
Employee costs		(8,719)	(8,407)
Materials, contracts & other expenses		(9,935)	(10,049)
Finance payments		(230)	(342)
Net Cash provided by (or used in) Operating Activities		6,768	5,711
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		3,064	835
Sale of replaced assets		276	212
Repayments of loans by community groups		126	106
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(6,574)	(5,010)
Expenditure on new/upgraded assets		(3,969)	(1,022)
Net Cash provided by (or used in) Investing Activities		(7,077)	(4,879)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		1,163	-
<u>Payments</u>			
Repayments of borrowings		(356)	(1,138)
Net Cash provided by (or used in) Financing Activities		807	(1,138)
Net Increase (Decrease) in cash held		498	(306)
 Cash & cash equivalents at beginning of period	10	675	981
Cash & cash equivalents at end of period	10	1,173	675

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 2014

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.

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 2014

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.

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.

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.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

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.

7 Payables

7.1 Goods & Services

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

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

Weighted average discount rate	2.44% (2013, 3.06%)
Weighted average settlement period	1 year (2013, 1 year)

No accrual is made for sick leave for ASU employees 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 for ASU employees.

AWU employees are entitled to the payment of sick leave under the AWU Enterprise Agreements No. 8 of 2012, on the following basis:-

Annual Cash-Out – Clause 25.5

Termination Pay-Out – Clause 25.4

A provision has been raised in 2014 for \$22 and will be increased over a 5 year period to match the maximum in any one year that would need to be paid by Council. Currently that figure is \$120, however to date only two employees have qualified for this benefit with \$22 being paid since the introduction of this benefit in 2012.

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.

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (cont)

10 Provision for Carbon Taxation

Council operates a landfill facility, which operates 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.

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 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 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 2012-2, AASB 2012-3, AASB 2012-5, AASB 2012-6, AASB 2012-10, AASB 2013-3, AASB 2013-8 and AASB 2013-9.

(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 2014

Note 2 - INCOME

	Notes	2014 \$'000	2013 \$'000
RATES REVENUES			
<u>General Rates</u>		16,383	15,479
Less: Discretionary rebates, remissions & write offs		(163)	(153)
		16,220	15,326
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		550	536
		550	536
<u>Other Charges</u>			
Penalties for late payment		56	63
		56	63
Less: Discretionary rebates, remissions & write offs			(153)
		16,826	15,772
STATUTORY CHARGES			
Development Act fees		108	90
Town planning fees		101	105
Animal registration fees & fines		122	121
Parking fines / expiation fees		38	29
Other licences, fees, & fines		9	12
		378	357
USER CHARGES			
Cemetery/crematoria fees		608	643
Green Waste Collection		274	360
Hall & equipment hire		70	42
Sales - general		2,396	2,126
Sundry		182	222
		3,530	3,393
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		29	21
Banks & other		1	8
Loans to community groups		2	2
		32	31

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 2 - INCOME (continued)

	Notes	2014 \$'000	2013 \$'000
REIMBURSEMENTS			
- for roadworks		72	52
- for private works		55	56
- other		102	83
		<u>229</u>	<u>191</u>
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		246	399
Donations		75	53
Sundry		146	24
		<u>467</u>	<u>476</u>
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		3,064	835
Other grants, subsidies and contributions		1,278	2,232
		<u>4,342</u>	<u>3,067</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		2,581	189
State government		1,760	2,878
Other		1	0
		<u>4,342</u>	<u>3,067</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

NOTE 2 - INCOME (continued)

	Notes	2014 \$'000	2013 \$'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>		1,000	1,000
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Railway Lands</i>		(1,000)	
	Subtotal	(1,000)	
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Roads Infrastructure</i>			
<i>Heritage & Cultural Services</i>			
	Subtotal		
<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)	

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 3 - EXPENSES

	Notes	2014 \$'000	2013 \$'000
EMPLOYEE COSTS			
Salaries and Wages		8,055	7,770
Employee leave expense		149	37
Superannuation - defined contribution plan contributions	16	802	744
Workers' Compensation Insurance		227	211
Other		45	67
Less: Capitalised and distributed costs		(506)	(511)
Total Operating Employee Costs		8,772	8,318
Total Number of Employees		118	116
<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	19
Elected members' expenses		272	284
Subtotal - Prescribed Expenses		<u>291</u>	<u>303</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		2,886	2,887
Energy		877	845
Maintenance		6	6
Legal Expenses		18	46
Levies paid to government - NRM levy		544	532
Parts, accessories & consumables		1,738	1,507
Professional services		171	80
Sundry		1,936	1,631
Subtotal - Other Materials, Contracts & Expenses		<u>8,176</u>	<u>7,534</u>
		<u>8,467</u>	<u>7,837</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 3 - EXPENSES (cont)

	Notes	2014 \$'000	2013 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,563	2,606
Infrastructure		2,140	1,953
Plant & Equipment		683	591
Minor Plant		31	22
Office Equipment		258	258
Other .		232	232
		<u>5,907</u>	<u>5,662</u>
FINANCE COSTS			
Interest on Loans		262	336
		<u>262</u>	<u>336</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2014 \$'000	2013 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		276	212
Less: Carrying amount of assets sold		3,503	2,050
Gain (Loss) on disposal		<u>(3,227)</u>	<u>(1,838)</u>
 NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		 <u>(3,227)</u>	 <u>(1,838)</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 5 - CURRENT ASSETS

	Notes	2014 \$'000	2013 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		647	167
Deposits at Call		526	508
		<u>1,173</u>	<u>675</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		411	393
Rates postponed for State Seniors		-	-
Accrued Revenues		4	41
Debtors - general		539	537
GST Recoupment		118	86
Loans to community organisations		60	92
		<u>1,132</u>	<u>1,149</u>
INVENTORIES			
Stores & Materials		15	24
Trading Stock		22	16
		<u>37</u>	<u>40</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 2014

Note 6 - NON-CURRENT ASSETS

FINANCIAL ASSETS	Notes	2014 \$'000	2013 \$'000
Receivables			
Loans to community organisations		<u>154</u>	<u>248</u>
TOTAL FINANCIAL ASSETS		<u>154</u>	<u>248</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2013 \$'000				2014 \$'000			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - 2	2	7,546	-	-	7,546	7,451	-	-	7,451
Land - 3	3	31,913	1,729	-	33,642	33,318	89	-	33,407
Buildings & Other Structures - 2	2	53,425	-	(2,945)	50,480	53,425	1,075	(4,387)	50,113
Buildings & Other Structures - 3	3	65,349	-	(28,489)	36,860	65,349	958	(29,610)	36,697
Infrastructure		75,559	3,515	(20,888)	58,186	75,559	7,812	(23,028)	60,343
Plant & Equipment		4,685	349	(583)	4,451	4,685	1,065	(1,177)	4,573
Minor plant		155	43	(22)	176	155	74	(53)	176
Office Equipment		-	1,716	(894)	822	-	1,775	(1,144)	631
Other		1,926	154	(232)	1,848	1,926	291	(464)	1,753
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		240,558	7,506	(54,053)	194,011	241,868	13,139	(59,863)	195,144
Comparatives		241,342	3,223	(48,874)	195,691	240,558	7,506	(54,053)	194,011

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 2014

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2013	CARRYING AMOUNT MOVEMENTS DURING YEAR							2014
	\$'000	\$'000							\$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Impairment	Transfers	Net Revaluation	CARRYING AMOUNT
	New/Upgrade	Renewals							
Land - 2	7,546	1,657	-	(957)	-	-	(795)	-	7,451
Land - 3	33,642	89	-	-	-	-	(324)	-	33,407
Buildings & Other Structures - 2	50,480	795	280	-	(1,442)	-	-	-	50,113
Buildings & Other Structures - 3	36,860	200	1,966	(2,316)	(1,121)	-	1,108	-	36,697
Infrastructure	58,186	1,168	3,118	-	(2,140)	-	11	-	60,343
Plant & Equipment	4,451	5	1,026	(226)	(683)	-	-	-	4,573
Minor plant	176	-	32	(1)	(31)	-	-	-	176
Office Equipment	822	55	14	(2)	(258)	-	-	-	631
Other	1,848	-	137	-	(232)	-	-	-	1,753
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	194,011	3,969	6,573	(3,502)	(5,907)	-	-	-	195,144
Comparatives	195,691	1,022	5,010	(2,050)	(5,662)	-	-	-	194,011

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 2014

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

Valuation of Assets

General Valuation Principles

Accounting procedure: Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, fair value is taken to be the current replacement cost.

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Transition to AASB 13: The requirements of AASB 13 *Fair Value Measurement* have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Fair value hierarchy level 2 valuations: Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land: Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

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

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines & household connections	\$5,000
Artworks	\$5,000

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

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 Practicing Valuer of Maloney Field Services at current replacement cost. Additions are recognised at cost.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2012 by Mr Martin Oldfield, BBus Property (Val) AAPI Certified Practicing 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.

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

City of Mount Gambier

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 7 – Property, Plant & Equipment (cont)

Plant, Furniture & Equipment

These assets 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 date 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 date of valuation 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 2014

Note 8 - LIABILITIES

		2014 \$'000		2013 \$'000	
	Notes	Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		2,222		1,001	
Payments received in advance		189		33	-
Accrued expenses - employee entitlements		59		20	-
Accrued expenses - other		50		18	-
Deposits, Retentions & Bonds		123		44	-
		<u>2,643</u>	<u>-</u>	<u>1,116</u>	<u>-</u>
BORROWINGS					
Loans		243	4,538	356	3,618
		<u>243</u>	<u>4,538</u>	<u>356</u>	<u>3,618</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,742	252	1,723	257
		<u>1,742</u>	<u>252</u>	<u>1,723</u>	<u>257</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 9 - RESERVES

ASSET REVALUATION RESERVE		1/7/2013	Net Increments (Decrements)	Transfers, Impairments	30/6/2014
	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>131,574</i>			<i>131,574</i>

OTHER RESERVES		1/7/2013	Transfers to Reserve	Transfers from Reserve	30/6/2014
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 Divison - Outstanding Work		232			232
Downstream Drainage		116	55		171
Work In Progress		3,537	4,385	(3,537)	4,385
City Centre Improvement		688			688
Major Capital Works		482			482
Mount Gambier Cemetery Trust		466	12		478
Junior Sporting Fund		44	7		51
TOTAL OTHER RESERVES		9,419	4,459	(3,537)	10,341
<i>Comparatives</i>		<i>5,476</i>	<i>3,951</i>	<i>(8)</i>	<i>9,419</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 entitlements.

Ongoing Reserve Fund

Transfers from the Fund are made as 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 parking initiatives in to 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 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 sales etc.

Land Divison Outstanding Works

Funds held in trust to ensure land divisons are completed
Ongoing Reserve Fund
Transfers from the Fund are made as and when land divison 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 made as and when required with works and projects normally completed in the year following
Transfers to the Fund include funds for work 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
Transfer 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 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 2014

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	2014 \$'000	2013 \$'000
Total cash & equivalent assets	5	1,173	675
Less: Short-term borrowings	8	-	-
Balances per Cash Flow Statement		1,173	675

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

Net Surplus (Deficit)	(831)	(704)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	5,907	5,662
Net increase (decrease) in unpaid employee benefits	53	(89)
Grants for capital acquisitions treated as Investing Activity	(3,064)	(835)
Net (Gain) Loss on Disposals	3,227	1,838
	5,292	5,872
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(15)	(33)
Net (increase) decrease in inventories	3	7
Net increase (decrease) in trade & other payables	1,488	(135)
Net Cash provided by (or used in) operations	6,768	5,711

(c) Financing Arrangements

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

Bank Overdrafts	-	-
Corporate Credit Cards	21	27
LGFA Cash Advance Debenture facility	12,000	12,000

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 2014

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	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	17,992	17,858	4,968	4,790	13,024	13,068	1,494	2,584	21,770	21,602
Community Support	859	826	2,246	1,831	(1,387)	(1,005)	16	44	13,817	13,711
Culture	554	527	2,873	2,851	(2,319)	(2,324)	209	234	51,888	51,491
Economic Development	408	407	1,402	1,293	(994)	(886)	-	-	5,858	5,813
Environment	1,899	1,888	4,070	3,065	(2,171)	(1,177)	-	10	5,531	5,488
Recreation	109	105	2,722	2,179	(2,613)	(2,074)	-	-	44,013	43,676
Regulatory Services	396	357	406	1,161	(10)	(804)	-	-	-	-
Transport	108	177	2,761	2,486	(2,653)	(2,309)	2,623	195	40,345	40,035
Engineering / Indirect	-	-	1,281	1,883	(1,281)	(1,883)	-	-	8,197	8,134
Unclassified Activities	415	307	679	614	(264)	(307)	-	-	6,221	6,173
TOTALS	22,740	22,452	23,408	22,153	(668)	299	4,342	3,067	197,640	196,123

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 2014

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 2014

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: Deposits are returning fixed interest rates of 2.50% (2013: 2.75%). Short term deposits have an average maturity of 1 day and an average interest rates of 2.50% (2013: 1 day, 2.75%).</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)	<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 0.666% (2013: 0.708%) 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 - describe) rates between 5.05% and 7.90% (2013: 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 2014

Note 12 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2014	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	1,173			1,173	1,173
Receivables	543			543	543
Other Financial Assets	60	154		214	214
Total	1,776	154	-	1,930	1,930
Financial Liabilities					
Payables	2,534			2,534	2,534
Current Borrowings	243			243	243
Non-Current Borrowings	-	803	3,735	4,538	4,538
Total	2,777	803	3,735	7,315	7,315

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

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

	30 June 2014		30 June 2013	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	4.78		5.00	-
Fixed Interest Rates	6.48	4,781	6.55	3,974
		<u>4,781</u>		<u>3,974</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 2014

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 2014

Note 13 - FINANCIAL INDICATORS

	2014	2013	2012
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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%)	2%	(4%)
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	(4%)	2%	(4%)
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*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>	31%	23%	27%
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>	107%	85%	52%
Infrastructure & Asset Management Plan required expenditure	*	*	*

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.

Amounts shown above an asterisk () indicate that depreciation expense has been used as a proxy, pending finalisation of the Infrastructure & Asset Management Plan.*

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

	2014 \$'000	2013 \$'000
Income	22,740	22,452
less Expenses	23,408	22,153
Operating Surplus / (Deficit)	(668)	299
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	6,574	5,010
Depreciation, Amortisation and Impairment	(5,907)	(5,662)
Proceeds from Sale of Replaced Assets	(276)	(212)
	391	(864)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	3,969	1,022
Amounts received specifically for New and Upgraded Assets	(3,064)	(835)
Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	-	-
	905	187
Net Lending / (Borrowing) for Financial Year	(1,964)	976

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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:

	2014 \$'000	2013 \$'000
Not later than one year	26	63
Later than one year and not later than 5 years	13	39
Later than 5 years	-	-
	<u>39</u>	<u>102</u>

CITY OF MOUNT GAMBIER

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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 (9.25% in 2013/14; 9% in 2012/13). 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 2012/13) 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, and employees may transfer to another employer within the local government sector and retain membership of the Fund, 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 2014

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 220 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 \$210,000 (2013: \$210,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of one 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 a number of 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 2013. No liability has been recognised in these reports.

CITY OF MOUNT GAMBIER

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

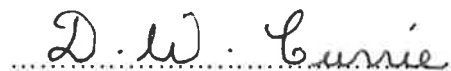
CERTIFICATION OF AUDITOR INDEPENDENCE

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 2014, 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: 30/9/2014

CITY OF MOUNT GAMBIER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2014, 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*.

A handwritten signature in black ink, appearing to read 'Simon Smith', with a long horizontal flourish extending to the right.

Simon Smith

Galpins Accountants, Auditors & Business Consultants

Dated this 30th day of September 2014