



City of  
Mount Gambier



# Financial Statements

## 2014/2015

# CITY OF MOUNT GAMBIER

## General Purpose Financial Reports for the year ended 30 June 2015

### TABLE OF CONTENTS

	<u>Page</u>
<b>Council Certificate</b>	1
<b>Principal Financial Statements</b>	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
 <b>Notes to, and forming part of, the Principal Financial Statements</b>	
Note 1 - Significant Accounting Policies	N1
Note 2 - Income	N6
Note 3 - Expenses	N9
Note 4 - Asset Disposal & Fair Value Adjustments	N11
Note 5 - Current Assets	N12
Note 6 - Non-Current Assets	N13
Note 7 - Infrastructure, Property, Plant & Equipment	N14
Note 8 - Liabilities	N19
Note 9 - Reserves	N20
Note 10 - Reconciliation of Cash Flow Statement	N23
Note 11 - Functions	N24
Note 12 - Financial Instruments	N26
Note 13 - Financial Indicators	N29
Note 14 - Uniform Presentation of Finances	N30
Note 15 - Operating Leases	N31
Note 16 - Superannuation	N32
Note 17 - Assets & Liabilities not Recognised	N33
 <b>Audit Report - Financial Statements</b>	
<b>Council Certificate of Audit Independence</b>	
<b>Audit Certificate of Audit Independence</b>	

# CITY OF MOUNT GAMBIER

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

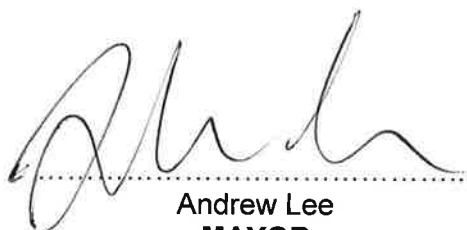
### CERTIFICATION OF FINANCIAL STATEMENTS

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 2015 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



Andrew Lee  
MAYOR

Date: 20/10/2015.

# CITY OF MOUNT GAMBIER

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>INCOME</b>			
Rates	2	17,641	16,826
Statutory charges	2	417	378
User charges	2	3,706	3,530
Grants, subsidies and contributions	2	3,604	1,278
Investment income	2	29	32
Reimbursements	2	350	229
Other income	2	363	467
<b>Total Income</b>		<b>26,110</b>	<b>22,740</b>
<b>EXPENSES</b>			
Employee costs	3	9,197	8,772
Materials, contracts & other expenses	3	8,920	8,467
Depreciation, amortisation & impairment	3	6,649	5,907
Finance costs	3	299	262
<b>Total Expenses</b>		<b>25,065</b>	<b>23,408</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>1,045</b>	<b>(668)</b>
Asset disposal & fair value adjustments	4	58	(3,227)
Amounts received specifically for new or upgraded assets	2	796	3,064
<b>NET SURPLUS / (DEFICIT)</b>		<b>1,899</b>	<b>(831)</b>
transferred to Equity Statement			
<b>Other Comprehensive Income</b>			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	33,460	-
<b>Total Other Comprehensive Income</b>		<b>33,460</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>35,359</b>	<b>(831)</b>

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

**CITY OF MOUNT GAMBIER**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	969	1,173
Trade & other receivables	5	1,568	1,132
Inventories	5	40	37
<b>Total Current Assets</b>		<b>2,577</b>	<b>2,342</b>
<b>Non-current Assets</b>			
Financial assets	6	108	154
Infrastructure, property, plant & equipment	7	230,349	195,144
<b>Total Non-current Assets</b>		<b>230,457</b>	<b>195,298</b>
<b>Total Assets</b>		<b>233,034</b>	<b>197,640</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other payables	8	2,436	2,643
Borrowings	8	184	243
Provisions	8	2,076	1,742
<b>Total Current Liabilities</b>		<b>4,696</b>	<b>4,628</b>
<b>Non-current Liabilities</b>			
Borrowings	8	4,525	4,538
Provisions	8	232	252
<b>Total Non-current Liabilities</b>		<b>4,757</b>	<b>4,790</b>
<b>Total Liabilities</b>		<b>9,453</b>	<b>9,418</b>
<b>NET ASSETS</b>		<b>223,581</b>	<b>188,222</b>
<b>EQUITY</b>			
Accumulated Surplus		49,398	46,307
Asset Revaluation Reserves	9	165,034	131,574
Other Reserves	9	9,149	10,341
<b>TOTAL EQUITY</b>		<b>223,581</b>	<b>188,222</b>

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

# CITY OF MOUNT GAMBIER

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2015

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
<b>2015</b>					
Balance at end of previous reporting period		46,307	131,574	10,341	188,222
Restated opening balance		46,307	131,574	10,341	188,222
<b>Net Surplus / (Deficit) for Year</b>		1,899			1,899
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment			33,460		33,460
Transfers between reserves		1,192		(1,192)	-
<b>Balance at end of period</b>		<b>49,398</b>	<b>165,034</b>	<b>9,149</b>	<b>223,581</b>

	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
<b>2014</b>					
Balance at end of previous reporting period		48,060	131,574	9,419	189,053
Restated opening balance		48,060	131,574	9,419	189,053
<b>Net Surplus / (Deficit) for Year</b>		(831)			(831)
<b>Other Comprehensive Income</b>					
Transfers between reserves		(922)		922	-
<b>Balance at end of period</b>		<b>46,307</b>	<b>131,574</b>	<b>10,341</b>	<b>188,222</b>

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 2015

	Notes	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Rates - general & other		17,591	16,808
Fees & other charges		417	408
User charges		3,562	3,993
Investment receipts		28	69
Grants utilised for operating purposes		3,604	1,374
Reimbursements		350	252
Other revenues		415	2,748
<u>Payments</u>			
Employee costs		(8,762)	(8,719)
Materials, contracts & other expenses		(9,518)	(9,935)
Finance payments		(339)	(230)
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>7,348</b>	<b>6,768</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		796	3,064
Sale of replaced assets		299	276
Sale of surplus assets		612	-
Repayments of loans by community groups		60	126
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(5,156)	(6,574)
Expenditure on new/upgraded assets		(4,091)	(3,969)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(7,480)</b>	<b>(7,077)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from borrowings		-	1,163
<u>Payments</u>			
Repayments of borrowings		(72)	(356)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>(72)</b>	<b>807</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(204)</b>	<b>498</b>
Cash & cash equivalents at beginning of period	10	1,173	675
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>969</b>	<b>1,173</b>

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 2015

### 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* dated 20<sup>th</sup> October 2015.

##### 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 2015**

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

In the month of June 2015 the Federal Government paid an amount of untied financial assistance grants, which are recognised on receipt, in advance of the year of allocation. In June 2015, one quarter of the 2015/16 allocation amounting to \$1,317 was paid in advance. Accordingly, in the reporting period ended 30 June 2015, Council's operating surplus was effectively overstated by \$1,317.

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.

## **City of Mount Gambier**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015**

#### **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.

#### **7 Payables**

##### **7.1 Goods & Services**

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

##### **7.2 Payments Received in Advance & Deposits**

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

#### **8 Borrowings**

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

#### **9 Employee Benefits**

##### **9.1 Salaries, Wages & Compensated Absences**

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

## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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

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	2.00% (2014, 2.44%)
Weighted average settlement period	1 year (2014, 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. 9 of 2015, on the following basis:-

Termination Pay-Out – Clause 28

Annual Cash-Out – Clause 28

A provision has been raised in 2015 for \$30 resulting in an over all provision of \$52 being recorded by Council. This will continue to be increased over a 5 year period (commenced from 2014) to match the maximum in any one year that would need to be paid by Council. Currently that figure is \$131, 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.

#### 10 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.

#### 11 Pending Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been used in preparing these reports.

AASB 7	Financial Instruments – Disclosures
AASB 9	Financial Instruments
AASB 15	Revenue from Contracts with Customers
AASB 124	Related Party Disclosures

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 14-10, AASB 15-1, AASB 15-2, AASB 15-3, AASB 15-4, AASB 15-5 and AASB 2015-6.

(Standards not affecting local government have been excluded from the above list.)

## City of Mount Gambier

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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

*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 2015

### Note 2 - INCOME

	Notes	2015 \$'000	2014 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		17,183	16,383
Less: Discretionary rebates, remissions & write offs		(166)	(163)
		<u>17,017</u>	<u>16,220</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		559	550
		<u>559</u>	<u>550</u>
<u>Other Charges</u>			
Penalties for late payment		65	56
		<u>65</u>	<u>56</u>
		<u>17,641</u>	<u>16,826</u>
<b>STATUTORY CHARGES</b>			
Development Act fees		114	108
Town planning fees		112	101
Animal registration fees & fines		123	122
Parking fines / expiation fees		50	38
Other licences, fees, & fines		18	9
		<u>417</u>	<u>378</u>
<b>USER CHARGES</b>			
Cemetery/crematoria fees		789	608
Green Waste Collection		410	274
Landfill		1,319	1,343
Hall & equipment hire		319	70
Recycling		118	140
Sales - general		391	573
Bus Ticketing		320	340
Sundry		40	182
		<u>3,706</u>	<u>3,530</u>
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		27	29
Banks & other		1	1
Loans to community groups		1	2
		<u>29</u>	<u>32</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### NOTE 2 - INCOME (continued)

	Notes	2015 \$'000	2014 \$'000
<b>REIMBURSEMENTS</b>			
- for roadworks		35	72
- for private works		102	55
- other		213	102
		<u>350</u>	<u>229</u>
<b>OTHER INCOME</b>			
Insurance & other recoupments - infrastructure, property, plant & equipment		235	246
Donations		42	75
Sundry		86	146
		<u>363</u>	<u>467</u>
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Amounts received specifically for new or upgraded assets		796	3,064
Other grants, subsidies and contributions		3,604	1,278
		<u>4,400</u>	<u>4,342</u>
<i>The functions to which these grants relate are shown in Note 11.</i>			
<b>Sources of grants</b>			
Commonwealth government		280	2,581
State government		4,120	1,760
Other		0	1
		<u>4,400</u>	<u>4,342</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### NOTE 2 - INCOME (continued)

	Notes	2015 \$'000	2014 \$'000
<b>Conditions over grants &amp; contributions</b>			
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>			
<i>Unexpended at the close of the previous reporting period</i>			1,000
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Railway Lands</i>		-	(1,000)
<i>Subtotal</i>			(1,000)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Railway Lands Artwork</i>		100	-
<i>Subtotal</i>		100	
<i>Unexpended at the close of this reporting period</i>		100	
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		100	(1,000)

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 3 - EXPENSES

	Notes	2015 \$'000	2014 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		8,094	8,055
Employee leave expense		491	149
Superannuation - defined benefit plan contributions	16	821	802
Workers' Compensation Insurance		240	227
Other		44	45
Less: Capitalised and distributed costs		(493)	(506)
<b>Total Operating Employee Costs</b>		<b>9,197</b>	<b>8,772</b>
<b>Total Number of Employees</b>		<b>116</b>	<b>118</b>
<i>(Full time equivalent at end of reporting period)</i>			
<b>MATERIALS, CONTRACTS &amp; OTHER EXPENSES</b>			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		20	19
Elected members' expenses		294	272
Election expenses		77	-
Subtotal - Prescribed Expenses		<b>391</b>	<b>291</b>
<u>Other Materials, Contracts &amp; Expenses</u>			
Contractors		2,869	2,886
Energy		956	877
Maintenance		7	6
Legal Expenses		35	18
Levies paid to government - NRM levy		555	544
- EPA, ESL & Dog Levies		577	494
Parts, accessories & consumables		1,149	1,738
Professional services		132	171
Sundry		2,249	1,442
Subtotal - Other Materials, Contracts & Expenses		<b>8,529</b>	<b>8,176</b>
		<b>8,920</b>	<b>8,467</b>



# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 3 - EXPENSES (cont)

	Notes	2015 \$'000	2014 \$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation</b>			
Buildings and Other Structures		2,850	2,563
Infrastructure		2,340	2,140
Plant & Equipment		986	683
Minor Plant		39	31
Office Equipment		201	258
Other		233	232
		<u>6,649</u>	<u>5,907</u>
<b>FINANCE COSTS</b>			
Interest on Loans		299	262
		<u>299</u>	<u>262</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	2015 Notes \$'000	2014 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		
<i><b>Assets renewed or directly replaced</b></i>		
Proceeds from disposal	299	276
Less: Carrying amount of assets sold	319	3,503
<b>Gain (Loss) on disposal</b>	<u>(20)</u>	<u>(3,227)</u>
 <i><b>Assets surplus to requirements</b></i>		
Proceeds from disposal	612	-
Less: Carrying amount of assets sold	534	-
<b>Gain (Loss) on disposal</b>	<u>78</u>	<u>-</u>
 <b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>	 <u>58</u>	 <u>(3,227)</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 5 - CURRENT ASSETS

	Notes	2015 \$'000	2014 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		67	647
Deposits at Call		902	526
		<u>969</u>	<u>1,173</u>
 <b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		461	411
Rates postponed for State Seniors		-	-
Accrued Revenues		5	4
Debtors - general		1,010	539
GST Recoupment		66	118
Loans to community organisations		46	60
Total		<u>1,588</u>	<u>1,132</u>
 Less: Allowance for Doubtful Debts		<u>20</u>	<u>-</u>
		<u>1,568</u>	<u>1,132</u>
 <b>INVENTORIES</b>			
Stores & Materials		19	15
Trading Stock		21	22
		<u>40</u>	<u>37</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 2015**

### **Note 6 - NON-CURRENT ASSETS**

<b>FINANCIAL ASSETS</b>	<b>Notes</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Receivables			
Loans to community organisations		<u>108</u>	<u>154</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u>108</u>	<u>154</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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

	Fair Value Level	2014 \$'000				2015 \$'000			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - 2	2	7,451	-	-	7,451	7,243	-	-	7,243
Land - 3	3	33,318	89	-	33,407	33,575	-	-	33,575
Buildings & Other Structures - 2	2	53,425	1,075	(4,387)	50,113	57,248	-	(6,078)	51,170
Buildings & Other Structures - 3	3	65,349	958	(29,610)	36,697	67,463	-	(30,742)	36,721
Infrastructure	3	75,559	7,812	(23,028)	60,343	122,674	-	(27,902)	94,772
Plant & Equipment	3	4,685	1,065	(1,177)	4,573	5,464	-	(978)	4,486
Minor Plant	3	155	74	(53)	176	155	99	(92)	162
Office Equipment	3	-	1,775	(1,144)	631	-	1,915	(1,340)	575
Other	3	1,926	291	(464)	1,753	1,926	416	(697)	1,645
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>		<b>241,868</b>	<b>13,139</b>	<b>(59,863)</b>	<b>195,144</b>	<b>295,748</b>	<b>2,430</b>	<b>(67,829)</b>	<b>230,349</b>
<b>Comparatives</b>		<b>240,558</b>	<b>7,506</b>	<b>(54,053)</b>	<b>194,011</b>	<b>241,868</b>	<b>13,139</b>	<b>(59,863)</b>	<b>195,144</b>

This Note continues on the following pages.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

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

	CARRYING AMOUNT MOVEMENTS DURING YEAR									2015 \$'000
	2014 \$'000 CARRYING AMOUNT	\$'000					Net Revaluation			
		Additions		Disposals	Depreciation	Impairment		Transfers		
	New/Upgrade	Renewals							In	Out
Land - 2	7,451	14	-	(259)	-	-	-	-	37	7,243
Land - 3	33,407	-	-	-	-	-	-	-	168	33,575
Buildings & Other Structures - 2	50,113	2,181	222	-	(1,691)	-	-	-	345	51,170
Buildings & Other Structures - 3	36,697	829	540	(275)	(1,159)	-	-	-	89	36,721
Infrastructure	60,343	861	3,341	-	(2,340)	-	-	-	32,567	94,772
Plant & Equipment	4,573	35	928	(318)	(986)	-	-	-	254	4,486
Minor Plant	176	25	-	-	(39)	-	-	-	-	162
Office Equipment	631	21	124	-	(201)	-	-	-	-	575
Other	1,753	125	-	-	(233)	-	-	-	-	1,645
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	195,144	4,091	5,155	(852)	(6,649)	-	-	-	33,460	230,349
Comparatives	194,011	3,969	6,573	(3,502)	(5,907)	-	-	-	-	195,144

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### 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.

*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
Drains & Culverts	\$5,000
Reticulation extensions	\$5,000
Artworks	\$5,000



## 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)

*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 at cost. 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.

As at 1 July 2014, the values were indexed at a rate of 0.5% in line with the Building Price Index (BPI) for the Adelaide market. The next external valuation is due during the reporting period ending 30 June 2017.

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 removed from our financial statements.

As at 1 July 2014, the values were indexed at a rate of 0.5% in line with the (BPI) for the Adelaide market. The next external valuation is due in the 2017 financial year.

#### Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost as at 1 July 2014, based on the latest unit costs incurred during the reporting period ended 30 June 2014.





## **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)**

Council's data has undergone an extensive review from 2012 – 2014 with assets now being assessed on individual components. Each component has been quantified, condition rated and valued independently to form the final amount disclosed in these statements.

New items such as traffic lights, carparks and stormwater infrastructure are examples of assets that have been identified and contributed to an increase in valuation of overall assets by \$33.5m as at 1 July, 2014.

Further interrogation of the data held for stormwater infrastructure assets is underway in preparation for the valuations due for the reporting period ending 30 June 2017. It is anticipated that the increase will not be in the vicinity of this year's increases.

Other contributing factors were the inclusion of additional road infrastructure from the boundary realignment with the District Council of Grant on 1 July 2010 and developer provided infrastructure which had not previously been identified.

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

#### **Plant, Furniture & Equipment**

These assets were valued by Council officers as at 1 July 2014 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2014. 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 2015

### Note 8 - LIABILITIES

		2015 \$'000		2014 \$'000	
	Notes	Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		1,454		2,222	
Payments received in advance		516	-	189	-
Accrued expenses - employee entitlements		180	-	59	-
Accrued expenses - other		10	-	50	-
Deposits, Retentions & Bonds		190	-	123	-
Other		86	-	-	-
		<u>2,436</u>	<u>-</u>	<u>2,643</u>	<u>-</u>
<b>BORROWINGS</b>					
Loans		184	4,525	243	4,538
		<u>184</u>	<u>4,525</u>	<u>243</u>	<u>4,538</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
<b>PROVISIONS</b>					
Employee entitlements (including oncosts)		2,076	232	1,742	252
		<u>2,076</u>	<u>232</u>	<u>1,742</u>	<u>252</u>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2014	Net Increments (Decrements)	Transfers, Impairments	30/6/2015
Notes	\$'000	\$'000	\$'000	\$'000
Land	30,447	205	-	30,652
Buildings & Structures	73,438	434	-	73,872
Infrastructure	23,522	32,568	-	56,090
Plant & Equipment	516	253	-	769
Minor Plant	34	-	-	34
Other	3,617	-	-	3,617
<b>TOTAL</b>	<b>131,574</b>	<b>33,460</b>		<b>165,034</b>
<i>Comparatives</i>	<i>131,574</i>	<i>-</i>	<i>-</i>	<i>131,574</i>

OTHER RESERVES	1/7/2014	Transfers to Reserve	Transfers from Reserve	30/6/2015
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	171	3	-	174
Work in Progress	4,385	2,987	(4,385)	2,987
City Centre Development	688	-	-	688
Major Capital Works	482	-	-	482
Mount Gambier Cemetery Trust	478	194	-	672
Junior Sporting Fund	51	9	-	60
<b>TOTAL OTHER RESERVES</b>	<b>10,341</b>	<b>3,193</b>	<b>(4,385)</b>	<b>9,149</b>
<i>Comparatives</i>	<i>9,419</i>	<i>4,459</i>	<i>(3,537)</i>	<i>10,341</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

Transfers to the Fund include funds for work and projects that have been allocated in one budget year but

**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  
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 2015

### 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	2015 \$'000	2014 \$'000
Total cash & equivalent assets	5	<u>969</u>	<u>1,173</u>
Balances per Cash Flow Statement		<u>969</u>	<u>1,173</u>

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

Net Surplus (Deficit)	1,899	(831)
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	6,649	5,907
Net increase (decrease) in unpaid employee benefits	435	53
Change in allowances for under-recovery	20	-
Grants for capital acquisitions treated as Investing Activity	(796)	(3,064)
Net (Gain) Loss on Disposals	<u>(58)</u>	<u>3,227</u>
	8,149	5,292
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	(470)	(15)
Net (increase) decrease in inventories	(3)	3
Net increase (decrease) in trade & other payables	<u>(328)</u>	<u>1,488</u>
<b>Net Cash provided by (or used in) operations</b>	<u>7,348</u>	<u>6,768</u>

#### (c) Financing Arrangements

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

Bank Overdrafts	250	-
Corporate Credit Cards	21	21
LGFA Cash Advance Debenture facility	12,000	12,000

The bank overdraft facility with Westpac 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 2015

### 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	2015	2014	2015	2014
	2015	2014	2015	2014	2015	2014	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	20,967	17,992	5,143	4,968	15,824	13,024	3,911	1,494	18,345	21,770
Community Support	946	859	2,221	2,246	(1,275)	(1,387)	34	16	10,430	13,817
Culture	446	554	2,994	2,873	(2,548)	(2,319)	175	209	44,258	51,888
Economic Development	406	408	1,622	1,402	(1,216)	(994)	-	-	4,024	5,858
Environment	2,053	1,899	4,145	4,070	(2,092)	(2,171)	-	-	11,229	5,531
Recreation	112	109	2,603	2,722	(2,491)	(2,613)	-	-	42,616	44,013
Regulatory Services	426	396	1,195	406	(769)	(10)	-	-	-	-
Transport	315	108	2,754	2,761	(2,439)	(2,653)	280	2,623	87,286	40,345
Engineering / Indirect	-	-	1,431	1,281	(1,431)	(1,281)	-	-	7,146	8,197
Unclassified Activities	439	415	957	679	(518)	(264)	-	-	7,700	6,221
<b>TOTALS</b>	<b>26,110</b>	<b>22,740</b>	<b>25,065</b>	<b>23,408</b>	<b>1,045</b>	<b>(668)</b>	<b>4,400</b>	<b>4,342</b>	<b>233,034</b>	<b>197,640</b>

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets and amounts received specifically for new or upgraded assets.

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### 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 2015

### Note 12 - FINANCIAL INSTRUMENTS

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

#### Accounting Policies - Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<p><b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p><b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates between 2.15% and 2.50% (2014: 2.50%). Short term deposits have an average maturity of 1 day and an average interest rates of 2.42% (2014: 1 day, 2.50%).</p> <p><b>Carrying amount:</b> approximates fair value due to the short term to maturity.</p>
<b>Receivables - Rates &amp; Associated Charges</b> (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><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 0.645% (2014: 0.666%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - Fees &amp; other charges</b>	<p><b>Accounting Policy:</b> Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p><b>Terms &amp; conditions:</b> Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p><b>Carrying amount:</b> approximates fair value (after deduction of any allowance).</p>
<b>Receivables - other levels of government</b>	<p><b>Accounting Policy:</b> Carried at nominal value.</p> <p><b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Creditors and Accruals</b>	<p><b>Accounting Policy:</b> Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p><b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.</p> <p><b>Carrying amount:</b> approximates fair value.</p>
<b>Liabilities - Interest Bearing Borrowings</b>	<p><b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.</p> <p><b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - 4.25% as at 30 June 2015) rates between 5.05% and 7.90% (2014: 5.05% and 7.90%)</p> <p><b>Carrying amount:</b> approximates fair value.</p>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### Note 12 (cont) - FINANCIAL INSTRUMENTS

#### Liquidity Analysis

2015	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	969			969	969
Receivables	1,015	-	-	1,015	1,015
Other Financial Assets	46	108	-	154	154
<b>Total</b>	<b>2,030</b>	<b>108</b>	<b>-</b>	<b>2,138</b>	<b>2,138</b>
<b>Financial Liabilities</b>					
Payables	2,246	-	-	2,246	2,246
Current Borrowings	184	-	-	184	184
Non-Current Borrowings	-	814	3,711	4,525	4,525
<b>Total</b>	<b>2,430</b>	<b>814</b>	<b>3,711</b>	<b>6,955</b>	<b>6,955</b>

2014	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	1,173			1,173	1,173
Receivables	543	-	-	543	543
Other Financial Assets	60	154	-	214	214
<b>Total</b>	<b>1,776</b>	<b>154</b>	<b>-</b>	<b>1,930</b>	<b>1,930</b>
<b>Financial Liabilities</b>					
Payables	2,534	-	-	2,534	2,534
Current Borrowings	243	-	-	243	243
Non-Current Borrowings	-	803	3,735	4,538	4,538
<b>Total</b>	<b>2,777</b>	<b>803</b>	<b>3,735</b>	<b>7,315</b>	<b>7,315</b>

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

	30 June 2015		30 June 2014	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	4.58	1,334	4.78	1,162
Fixed Interest Rates	5.93	3,375	6.48	3,619
		<u>4,709</u>		<u>4,781</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 2015

### 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 2015

### Note 13 - FINANCIAL INDICATORS

	2015	2014	2013
--	------	------	------

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>	6%	(4%)	2%
Rates - general & other less NRM levy			

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

#### Adjusted Operating Surplus Ratio

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

*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>	26%	31%	22%
Total Operating Revenue			

*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.*

#### Asset Sustainability Ratio

<u>Net Asset Renewals</u>	53%	107%	85%
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.*

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### 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

	2015 \$'000	2014 \$'000
Income	26,110	22,740
less Expenses	<u>25,065</u>	<u>23,408</u>
<b>Operating Surplus / (Deficit)</b>	<b>1,045</b>	<b>(668)</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on renewal and replacement of Existing Assets	5,156	6,574
Depreciation, Amortisation and Impairment	(6,649)	(5,907)
Proceeds from Sale of Replaced Assets	<u>(299)</u>	<u>(276)</u>
	<b>(1,792)</b>	<b>391</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including investment property & real estate developments)	4,091	3,969
Amounts received specifically for New and Upgraded Assets	(796)	(3,064)
Proceeds from Sale of Surplus Assets (including investment property and real estate developments)	<u>(612)</u>	<u>-</u>
	<b>2,683</b>	<b>905</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>154</u></b>	<b><u>(1,964)</u></b>

# CITY OF MOUNT GAMBIER

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015

### 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:

	2015 \$'000	2014 \$'000
Not later than one year	43	26
Later than one year and not later than 5 years	127	13
Later than 5 years	-	-
	<u>170</u>	<u>39</u>

# **CITY OF MOUNT GAMBIER**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015**

### **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 the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

#### **Accumulation only Members**

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2014/15; 9.25% in 2013/14). 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 Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2013/14) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of 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 Salarylink section'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 Fund's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2014. 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.

#### **Contributions to Other Superannuation Schemes**

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

# **CITY OF MOUNT GAMBIER**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015**

### **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 224 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 (2014: \$210) 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 has not received notice of any appeals against planning decisions made prior to reporting date. All known costs have been recognised.

**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.

Galpins





Accountants, Auditors  
& Business Consultants

David Chant FCPA  
Simon Smith FCPA  
David Sullivan CPA  
Jason Seidel CA  
Renae Nicholson CA  
Tim Muhlhausler CA  
Aaron Coonan CA  
Luke Williams CPA

Mount Gambier  
233 Commercial Street West  
PO Box 246, Mount Gambier SA 5290  
DX 29044  
p 08 8725 3068  
f 08 8724 9553  
e admin@galpins.com.au

Stirling  
Unit 4/3-5 Mount Barker Road  
PO Box 727, Stirling SA 5152  
p 08 8339 1255  
f 08 8339 1266  
e stirling@galpins.com.au

Norwood  
3 Kensington Road  
PO Box 4067, Norwood South SA 5067  
p 08 8332 3433  
f 08 8332 3466  
e norwood@galpins.com.au

w www.galpins.com.au

ABN 30 630 511 757

Liability limited by a scheme approved  
under Professional Standards Legislation

## 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 2015, 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 2015, 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 CONSULTANTS**

**Simon Smith** FCPA, Registered Company Auditor  
Partner

22 /10 / 2015

# CITY OF MOUNT GAMBIER

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

### 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 2015, 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



Jeroen Zwijnenburg  
PRESIDING MEMBER  
AUDIT COMMITTEE

Date: 13th October 2015

**CITY OF MOUNT GAMBIER**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 June 2015**

**STATEMENT BY AUDITOR**

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2015, 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 Smith**

**Galpins Accountants, Auditors & Business Consultants**

Dated this 13<sup>th</sup> day of October 2015