

*city of*  
*Victor Harbor*



# **FINANCIAL STATEMENTS**

**for the financial year ended**

**30 June 2012**

# City of Victor Harbor

## General Purpose Financial Reports for the year ended 30 June 2012

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**City of Victor Harbor**

**ANNUAL FINANCIAL STATEMENTS  
for the year ended 30th June 2012**

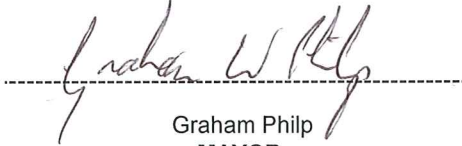
**CERTIFICATION OF FINANCIAL STATEMENTS**

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

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



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Graeme Maxwell  
**CITY MANAGER**



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Graham Philp  
**MAYOR**

Date: 29th October 2012

City of Victor Harbor

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>INCOME</b>			
Rates	2	14,943	13,669
Statutory charges	2	434	473
User charges	2	1,687	2,051
Grants, subsidies and contributions	2	1,364	1,520
Investment income	2	271	290
Reimbursements	2	388	509
Other income	2	287	309
Net gain - joint ventures & associates	19	36	84
<b>Total Income</b>		<u>19,410</u>	<u>18,905</u>
<b>EXPENSES</b>			
Employee costs	3	6,570	6,622
Materials, contracts & other expenses	3	7,282	8,784
Depreciation, amortisation & impairment	3	4,597	4,158
Finance costs	3	940	911
<b>Total Expenses</b>		<u>19,389</u>	<u>20,475</u>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>21</b>	<b>(1,570)</b>
Asset disposal & fair value adjustments	4	(576)	(371)
Amounts received specifically for new or upgraded assets	2	1,083	1,108
Physical resources received free of charge	2	773	2,670
<b>NET SURPLUS / (DEFICIT)</b>		<u>1,301</u>	<u>1,837</u>
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	19,667	5,855
Impairment (expense) / recoupments offset to asset revaluation reserve	9	372	943
<b>Total Other Comprehensive Income</b>		<u>20,039</u>	<u>6,798</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>21,340</u>	<u>8,635</u>

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

**City of Victor Harbor**

**BALANCE SHEET**  
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,569	4,778
Trade & other receivables	5	1,080	1,067
Inventories	5	<u>256</u>	<u>253</u>
<b>Total Current Assets</b>		<u><b>4,905</b></u>	<u><b>6,098</b></u>
<b>Non-current Assets</b>			
Financial Assets	6	735	809
Equity accounted investments in Council businesses	6	120	84
Infrastructure, Property, Plant & Equipment	7	231,734	210,697
Other Non-current Assets	6	<u>317</u>	<u>693</u>
<b>Total Non-current Assets</b>		<u><b>232,906</b></u>	<u><b>212,283</b></u>
<b>Total Assets</b>		<u><b>237,811</b></u>	<u><b>218,381</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	8	2,283	3,866
Borrowings	8	1,294	1,059
Provisions	8	<u>760</u>	<u>2,151</u>
<b>Total Current Liabilities</b>		<u><b>4,337</b></u>	<u><b>7,076</b></u>
<b>Non-current Liabilities</b>			
Borrowings	8	13,914	13,148
Provisions	8	<u>980</u>	<u>917</u>
<b>Total Non-current Liabilities</b>		<u><b>14,894</b></u>	<u><b>14,065</b></u>
<b>Total Liabilities</b>		<u><b>19,231</b></u>	<u><b>21,141</b></u>
<b>NET ASSETS</b>		<u><b>218,580</b></u>	<u><b>197,240</b></u>
<b>EQUITY</b>			
Accumulated Surplus		54,392	52,429
Asset Revaluation Reserves	9	161,975	141,936
Other Reserves	9	<u>2,213</u>	<u>2,875</u>
<b>TOTAL EQUITY</b>		<u><b>218,580</b></u>	<u><b>197,240</b></u>

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

## City of Victor Harbor

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2012

2012	Notes	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
Balance at end of previous reporting period		52,429	141,936	2,875	197,240
Restated opening balance		52,429	141,936	2,875	197,240
<b>Net Surplus / (Deficit) for Year</b>		1,301	-	-	1,301
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	19,667	-	19,667
Impairment (expense) / recoupments offset to asset revaluation reserve		-	372	-	372
Transfers between reserves		662	-	(662)	-
<b>Balance at end of period</b>		<b>54,392</b>	<b>161,975</b>	<b>2,213</b>	<b>218,580</b>
2011					
Balance at end of previous reporting period		50,729	135,138	2,738	188,605
Restated opening balance		50,729	135,138	2,738	188,605
<b>Net Surplus / (Deficit) for Year</b>		1,837	-	-	1,837
<b>Other Comprehensive Income</b>					
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	5,855	-	5,855
Impairment (expense) / recoupments offset to asset revaluation reserve		-	943	-	943
Transfers between reserves		(137)	-	137	-
<b>Balance at end of period</b>		<b>52,429</b>	<b>141,936</b>	<b>2,875</b>	<b>197,240</b>

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

## City of Victor Harbor

### CASH FLOW STATEMENT

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<u>Receipts</u>			
Operating Receipts		18,038	19,581
Investment Receipts		301	345
<u>Payments</u>			
Operating Payments to suppliers & employees		(15,458)	(15,169)
Finance Payments		(1,158)	(1,130)
<b>Net Cash provided by (or used in) Operating Activities</b>	11	<b>1,723</b>	<b>3,627</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		1,083	799
Sale of replaced assets		187	232
Sale of surplus assets		66	1
Repayments of loans by community groups		74	39
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(3,083)	(1,636)
Expenditure on new/upgraded assets		(2,260)	(1,127)
Loans made to community groups		-	(500)
<b>Net Cash provided by (or used in) Investing Activities</b>		<b>(3,933)</b>	<b>(2,192)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<u>Receipts</u>			
Proceeds from Borrowings		2,060	1,200
<u>Payments</u>			
Repayments of Borrowings		(1,059)	(911)
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>1,001</b>	<b>289</b>
<b>Net Increase (Decrease) in cash held</b>		<b>(1,209)</b>	<b>1,724</b>
 Cash & cash equivalents at beginning of period	11	<b>4,778</b>	<b>3,054</b>
<b>Cash &amp; cash equivalents at end of period</b>	11	<b>3,569</b>	<b>4,778</b>

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

**City of Victor Harbor**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**1 Basis of Preparation**

**1.1 Compliance with Australian Accounting Standards**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), 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 Victor Harbor is incorporated under the SA Local Government Act 1999 and has its principal place of business at 1 Bay Road, Victor Harbor. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

Trust monies and property held by Council but subject to the control of other persons have been excluded from these reports. A separate statement of moneys held in the Trust is available for inspection at the Council Office by any person free of charge.

**3 Income Recognition**

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in those 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.

Council has recognised the advance payment of \$287,185 of the 2012/13 financial grants as income in the 2012 Statement of Comprehensive Income ( 2011: \$136,573) in accordance with the recommendation provided by the Local Government Association of S.A.

**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 is made for monies the receipt of which are 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 form part of Note 13.

**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.



# City of Victor Harbor

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 6 Infrastructure, Property, Plant and Equipment

##### 6.1 Initial Recognition

All assets are initially recognised at cost.

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

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

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

##### 6.2 Materiality

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

Buildings	\$10,000	Plant and Machinery	\$5,000
Roads, Drainage and other Infrastructure	\$10,000	Minor Plant and Loose Tools	\$500
Reserve Furniture and Equipment	\$500	Office Furniture and Equipment	\$500

##### 6.3 Subsequent Recognition

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

##### 6.4 Depreciation of Non-Current Assets

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

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

	Useful Life	Residual Value		Useful Life	Residual Value
Buildings	10-100 years	nil-60%	Park Furniture	10-40 years	10%
Sealed Roads – Surface	16-30 years	5%	Playground equipment	15-50 years	nil-10%
Sealed Roads – Structure	50-60 years	25%-33%	Walkways and Trails	15-50 years	nil-10%
Unsealed Roads	15 years	33%	Major Plant and Machinery	2-20 years	20%
Kerbing	70 years	25%	Fleet	2-6 years	70%
Footpaths	30-50 years	25%	ICT Equipment	5-10 years	nil
Bridges – Concrete	100 years	nil-25%	Office Furniture	10 years	nil
Traffic Devices	20-45 years	nil-25%	Library Books	2-7 years	nil
Stormwater Drainage	100 years	nil-30%	Artworks	not applicable	nil

##### 6.5 Impairment

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

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

**City of Victor Harbor**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**6.5 Impairment (continued)**

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

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

**6.6 Borrowing Costs**

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123. 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 and 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 and 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".

**9 Employee Benefits**

**9.1 Salaries, Wages and 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	2.87%	(2011: 4.79%)
Weighted average settlement period	5 years	(2011: 5 years)

Council has recognised a current liability for Long Service Leave benefits for all employees who have completed seven years service as at reporting date, with all other employees' benefits classified as a non-current liability.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

**9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

**10 Construction Contracts**

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

**City of Victor Harbor**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2012**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**12 Joint Ventures and Associated Entities**

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

**13 Leases**

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 terms, leased payments are charged to expense over the lease term.

**14 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.

**15 Pending Accounting Standards**

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

- ⇒ AASB 9 *Financial Instruments*
  - ⇒ AASB 10 *Consolidated Financial Statements*
  - ⇒ AASB 11 *Joint Arrangements*
  - ⇒ AASB 12 *Disclosure of Interests in Other Entities*
  - ⇒ AASB 13 *Fair Value Measurements*
  - ⇒ AASB 119 *Employee Benefits*
  - ⇒ AASB 127 *Separate Financial Statements*
  - ⇒ AASB 128 *Investments in Associates and Joint Ventures*
  - ⇒ AASB 2010-6 *Amendments to Australian Accounting Standards [AASBs 1 & 7]*
  - ⇒ AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and*
  - ⇒ AASB 2011-1 *Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]*
  - ⇒ AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133,*
  - ⇒ AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134,*
  - ⇒ AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*
  - ⇒ AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]*
  - ⇒ AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]*
- (Standards not affecting local government have been excluded from the above list.)**

*Council is of the view that none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.*

The Australian Accounting Standards Board is currently reviewing AASB 1004 *Contributions*. It is anticipated that the changes resulting from this review may have a material effect on the timing of the recognition of grants and contributions, but the financial consequences cannot be estimated until a revised accounting standard is issued.

# City of Victor Harbor

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

### Note 2 - INCOME

	Notes	2012 \$'000	2011 \$'000
<b>RATES REVENUES</b>			
<u>General Rates</u>		14,706	13,492
Less: Mandatory rebates		(99)	(71)
Less: Discretionary rebates, remissions & write offs		(38)	(37)
		14,569	13,384
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		292	224
		292	224
<u>Other Charges</u>			
Penalties for late payment		66	58
Legal & other costs recovered		16	3
		82	61
		14,943	13,669
<b>STATUTORY CHARGES</b>			
Development Act fees		69	90
Town Planning fees		132	192
Health & Septic Tank Inspection fees		6	9
Animal registration fees & fines		71	71
Parking fines / expiation fees		123	68
Search Fees		20	28
Sundry		6	7
Other licences, fees, & fines		7	8
		434	473
<b>USER CHARGES</b>			
Cemetery Fees		98	121
Caravan Park		273	273
Community Transport		103	97
Horse Drawn Tram *		155	426
Recreation Centre		72	81
Parking Fees		98	100
Whale Centre		183	163
Tourism Marketing & Sales		495	481
Waste Recycling & Disposal		-	84
Other Leases, Hires and Rentals		179	185
Sundry		31	40
		1,687	2,051
<b>INVESTMENT INCOME</b>			
Interest on investments			
Local Government Finance Authority		197	255
Banks & other		16	8
Loans to community groups		58	27
		271	290

**\* Individually Significant Item**

The Horse Drawn Tram was closed for 7 months during 11/12. This was due to both Council's Causeway Plaza Upgrade and repair works to the Causeway by the Department of Planning, Transport and Infrastructure.

This has materially decreased Council's operating income from this source by approximately 63% compared to 10/11

	<b>155</b>	<b>426</b>
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# City of Victor Harbor

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

### NOTE 2 - INCOME (continued)

	Notes	2012 \$'000	2011 \$'000
<b>REIMBURSEMENTS</b>			
Council Contributions		234	248
Employee Reimbursements		15	17
Private Works		8	134
Utilities, Insurance and Cleaning		63	58
Other		68	52
		388	509
<b>OTHER INCOME</b>			
Community Services		35	21
Donations and Contributions		25	28
Workers Compensation Premium / Claims		153	169
Insurance Claims		28	50
Tourism and Culture		14	20
Sundry		32	21
		287	309
<b>GRANTS, SUBSIDIES, CONTRIBUTIONS</b>			
Other grants, subsidies and contributions		1,077	1,383
Individually significant item - additional Grants Commission payment *	12	287	137
Amounts received specifically for new or upgraded assets		1,083	1,108
		2,447	2,628
<i>The functions to which these grants relate are shown in Note 12.</i>			
<b>Sources of grants</b>			
Commonwealth Government		936	877
State Government		1,411	1,362
Other		100	389
		2,447	2,628

#### \* Individually Significant Item

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

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

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

	12	287	137
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# City of Victor Harbor

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

### NOTE 2 - INCOME (continued)

	Notes	2012 \$'000	2011 \$'000
<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>		956	1,145
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>			
<i>Causeway Plaza</i>		(635)	(309)
<i>Railway Precinct Walkway</i>		(201)	
<i>Subtotal</i>		(836)	(309)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
<i>Causeway Plaza</i>		(45)	45
<i>Trails and Bikeways</i>		(75)	75
<i>Subtotal</i>		(120)	120
<i>Unexpended at the close of this reporting period</i>		956	956
<i>Net increase (decrease) in assets subject to conditions in the current reporting period</i>		(956)	(189)

**\* Individually Significant Items**

**PHYSICAL RESOURCES RECEIVED FREE OF CHARGE**

Footpaths	107	141
Sealed Roads	259	306
Stormwater	335	2,131
Kerbing	72	92
<b>TOTAL PHYSICAL RESOURCES RECEIVED</b>	<b>773</b>	<b>2,670</b>

**ASSET DISPOSAL AND FAIR VALUE ADJUSTMENTS**

Net Gain (Loss) on Disposal or Revaluation of Assets	4	(576)	(371)
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# City of Victor Harbor

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

### Note 3 - EXPENSES

	Notes	2012 \$'000	2011 \$'000
<b>EMPLOYEE COSTS</b>			
Salaries and Wages		5,392	5,190
Employee leave expense		682	653
Superannuation - defined contribution plan contributions	18	364	351
Superannuation - defined benefit plan contributions	18	157	169
Workers' Compensation Insurance		276	277
Other		120	385
Less: Capitalised and distributed costs		(421)	(403)
<b>Total Operating Employee Costs</b>		<b>6,570</b>	<b>6,622</b>
 <b>Total Number of Employees</b>		 <b>90.3</b>	 <b>87.4</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		13	12
Elected members' expenses		164	153
Election expenses		-	38
Operating Lease Rentals - minimum lease payments	17	117	124
<b>Subtotal - Prescribed Expenses</b>		<b>294</b>	<b>327</b>
 <u>Other Materials, Contracts &amp; Expenses</u>			
Individually Significant Items		-	1,632
Materials		770	1,072
Energy & Water		692	618
Professional services		417	267
External Plant Hire		99	125
Insurances		359	337
Waste Services		1,106	918
Legal Expenses		151	97
Levies paid to government:			
NRM Levy		291	223
Other Levies		16	34
Advertising		87	64
Information and Communications		241	226
Donations & Contributions		175	134
Rates & Taxes		44	45
Regional Board Contributions		70	68
Street Cleaning		78	74
Tourism / Culture & Economic Development		558	515
Environmental Projects		262	582
Community Service Projects		351	484
Asset Maintenance		742	620
Sundry		479	322
<b>Subtotal - Other Materials, Contracts &amp; Expenses</b>		<b>6,988</b>	<b>8,457</b>
		<b>7,282</b>	<b>8,784</b>
 <b>INDIVIDUALLY SIGNIFICANT ITEMS</b>			
Landfill siteworks in preparation for closure		-	619
Landfill capping and post closure - increase in provision		-	1,013
		<b>-</b>	<b>1,632</b>

## City of Victor Harbor

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

#### Note 3 - EXPENSES (cont)

	Notes	2012 \$'000	2011 \$'000
<b>DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>			
<b>Depreciation *</b>			
Buildings		952	704
Roads		1,521	1,511
Kerbing		170	164
Footpaths		119	111
Bridges		235	268
Stormwater Drainage		280	232
Open Space		381	261
Carparks & Traffic Devices		109	68
Other Infrastructure		84	102
Plant & Equipment		536	532
Furniture & Fittings		100	99
Artworks		-	-
Library Materials		134	132
		4,621	4,184
Less: Capitalised and distributed costs		(24)	(26)
		4,597	4,158
 <b>FINANCE COSTS</b>			
Interest on overdraft and short-term drawdown		9	-
Interest on Loans		931	911
		940	911

\* The increase in depreciation for the year 2011/12 of approx. \$439,000 (10%) was largely due to depreciation on capital additions during the year and the impact of revaluations of certain fixed assets as at 30 June 2011.



# City of Victor Harbor

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

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

	Notes	2012 \$'000	2011 \$'000
<b>INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		187	232
Less: Carrying amount of assets sold		<u>671</u>	<u>552</u>
<b>Gain (Loss) on disposal</b>		<u>(484)</u>	<u>(320)</u>
 <i>Assets surplus to requirements</i>			
Proceeds from disposal		66	1
Less: Carrying amount of assets sold		<u>158</u>	<u>52</u>
<b>Gain (Loss) on disposal</b>		<u>(92)</u>	<u>(51)</u>
 <b>NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS</b>			
		<u>(576)</u>	<u>(371)</u>

# City of Victor Harbor

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

### Note 5 - CURRENT ASSETS

	Notes	2012 \$'000	2011 \$'000
<b>CASH &amp; EQUIVALENT ASSETS</b>			
Cash on Hand and at Bank		560	295
Deposits at Call		<u>3,009</u>	<u>4,483</u>
		<u><b>3,569</b></u>	<u><b>4,778</b></u>
<b>TRADE &amp; OTHER RECEIVABLES</b>			
Rates - General & Other		698	526
Council Rates Postponement Scheme		5	2
Accrued Revenues		69	60
Fines, Fees & Charges		120	122
Other levels of Government		73	226
GST Recoupment		39	58
Prepayments		2	4
Loans to community organisations		<u>74</u>	<u>69</u>
		<u><b>1,080</b></u>	<u><b>1,067</b></u>
<b>INVENTORIES</b>			
Stores & Materials		228	206
Trading Stock		<u>28</u>	<u>47</u>
		<u><b>256</b></u>	<u><b>253</b></u>

# City of Victor Harbor

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

### Note 6 - NON-CURRENT ASSETS

<b>FINANCIAL ASSETS</b>	Notes	2012 \$'000	2011 \$'000
<b>Receivables</b>			
Loans to community organisations		<u>735</u>	<u>809</u>
<b>TOTAL FINANCIAL ASSETS</b>		<u><b>735</b></u>	<u><b>809</b></u>
<b>EQUITY ACCOUNTED INVESTMENTS IN COUNCIL</b>			
Fleurieu Regional Waste Authority	19	<u>120</u>	<u>84</u>
		<u><b>120</b></u>	<u><b>84</b></u>
<b>OTHER NON-CURRENT ASSETS</b>			
Capital Works-in-Progress		<u>317</u>	<u>693</u>
		<u><b>317</b></u>	<u><b>693</b></u>

## City of Victor Harbor

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

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

	2011 \$'000				2012 \$'000			
	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEPN	CARRYING AMOUNT
Land	49,933	-	-	49,933	45,795	-	-	45,795
Buildings	37,178	234	(12,014)	25,398	46,939	-	(17,421)	29,518
Roads	70,243	947	(19,335)	51,855	85,161	-	(17,935)	67,226
Kerbing	15,253	158	(2,168)	13,243	18,581	-	(2,660)	15,921
Footpaths	5,570	501	(995)	5,076	5,407	962	(1,032)	5,337
Bridges	26,403	-	(6,200)	20,203	26,403	35	(6,436)	20,002
Stormwater Drainage	35,867	-	(6,601)	29,266	35,867	539	(6,903)	29,503
Open Space	9,218	-	(4,166)	5,052	9,252	847	(4,547)	5,552
Carparks & Traffic	3,979	-	(949)	3,030	3,979	-	(1,058)	2,921
Other Infrastructure	1,629	1,162	(840)	1,951	2,196	3,415	(924)	4,687
Plant & Equipment	-	6,315	(2,661)	3,654	-	6,045	(2,765)	3,280
Furniture & Fittings	-	1,806	(462)	1,344	-	1,838	(561)	1,277
Artworks	277	-	-	277	277	-	-	277
Library Materials	929	-	(514)	415	888	-	(450)	438
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>256,479</b>	<b>11,123</b>	<b>(56,905)</b>	<b>210,697</b>	<b>280,745</b>	<b>13,681</b>	<b>(62,692)</b>	<b>231,734</b>
<i>Comparatives</i>	<b>246,993</b>	<b>10,718</b>	<b>(54,944)</b>	<b>202,767</b>	<b>256,479</b>	<b>11,123</b>	<b>(56,905)</b>	<b>210,697</b>

	2011 \$'000	CARRYING AMOUNT MOVEMENTS DURING YEAR \$'000						2012 \$'000
	CARRYING AMOUNT	Additions		Disposals	Depreciation/ Impairment	Transfers / Adjustments	Net Revaluation	CARRYING AMOUNT
		New/Upgrade	Renewals					
Land	49,933	-	-	-	-	-	(4,138)	45,795
Buildings	25,398	50	13	-	(952)	-	5,009	29,518
Roads	51,855	47	656	(311)	(1,521)	194	16,306	67,226
Kerbing	13,243	49	31	(2)	(170)	362	2,408	15,921
Footpaths	5,076	107	354	(123)	(119)	42	-	5,337
Bridges	20,203	35	-	-	(235)	(1)	-	20,002
Stormwater Drainage	29,266	335	71	(13)	(280)	124	-	29,503
Open Space	5,052	662	185	-	(381)	34	-	5,552
Carparks & Traffic	3,030	-	-	-	(109)	-	-	2,921
Other Infrastructure	1,951	1,146	1,107	-	(84)	567	-	4,687
Plant & Equipment	3,654	82	459	(379)	(536)	-	-	3,280
Furniture & Fittings	1,344	7	26	-	(100)	-	-	1,277
Artworks	277	-	-	-	-	-	-	277
Library Materials	415	-	69	-	(134)	6	82	438
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>210,697</b>	<b>2,520</b>	<b>2,971</b>	<b>(828)</b>	<b>(4,621)</b>	<b>1,328</b>	<b>19,667</b>	<b>231,734</b>
<i>Comparatives</i>	<b>202,767</b>	<b>4,373</b>	<b>2,166</b>	<b>(604)</b>	<b>(4,184)</b>	<b>323</b>	<b>5,856</b>	<b>210,697</b>

# City of Victor Harbor

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

### Note 7 (cont) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

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

#### **Land**

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 assets are recognised on the current replacement cost basis, with a full visual inspection carried out by Maloney Field Services as at 30 June 2012.

#### **Buildings**

Buildings are recognised on the written down replacement cost basis, with a full visual inspection carried out by Maloney Field Services at 30 June 2012. Building assets have been split into their key components and depreciated separately in accordance with requirements under AASB 116. As a result of the revaluation recorded and the componentisation of building assets, depreciation expense for buildings in 2012/13 is expected to increase by an estimated \$250k.

#### **Infrastructure**

Sealed and Unsealed Roads were valued at written down replacement cost by ACEAM Pty Ltd as at 30 June 2012. A full network condition assessment was undertaken by council staff and independently verified by ACEAM Pty Ltd. As a result of the condition assessment and subsequent amendments to the asset's useful lives, depreciation expense for roads in 2012/13 is expected to increase by an estimated \$350k.

Kerbing assets were valued at the written down replacement cost by ACEAM Pty Ltd as at 30 June 2012. A full network condition assessment was undertaken by council staff and independently verified by ACEAM Pty Ltd. The network condition assessment and revaluation included the recognition of spoon drains for the first time. As a result of the condition assessment and subsequent amendments to the asset's useful lives, depreciation expense for kerbs in 2012/13 is expected to increase by an estimated \$30k.

Footpaths were valued at the written down current replacement cost by Council Officers and verified by ACEAM Asset Management Practitioners as at 30 June 2010. The next scheduled valuation of these assets is to be undertaken in the 2012/13 financial year.

Bridges and guardrails were valued at written down current replacement cost by ACEAM Asset Management Practitioners as at 30 June 2011. The next scheduled valuation of these assets is to be undertaken in the 2012/13 Financial year.

Stormwater drainage, open space, car park and traffic device infrastructure were valued at written down current replacement cost by Council Officers and verified by ACEAM Asset Management Practitioners at 30 June 2011. The next scheduled valuation of these assets is to be undertaken during the 2012/13 financial year.

Other infrastructure is recognised on the cost basis and includes assets such as the tram line, boat ramps and depot storage bays. These assets were last valued in 2010/11 by council staff. The next scheduled valuation of these assets is to be undertaken during the 2012/13 financial year.

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

#### **Library and Artworks**

Library books and other lending materials are capitalised in bulk, and written out when fully depreciated. These materials are valued annually by the Library Manager using Public Library Services (PLS) standard costs.

Artworks were last independently valued by Theodore Bruce Auctions at 30 June 2010. The next schedule valuation of these assets is to be undertaken during the 2013/14 financial year.

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

These assets are recognised on the cost basis.

# City of Victor Harbor

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

### Note 8 - LIABILITIES

	Notes	2012 \$'000		2011 \$'000	
		Current	Non-current	Current	Non-current
<b>TRADE &amp; OTHER PAYABLES</b>					
Goods & Services		1,029		1,575	
Payments received in advance		23		997	
Accrued expenses - employee entitlements		749		688	
Accrued expenses - other		476		598	
Deposits, Retentions & Bonds		6		8	
		<u>2,283</u>	<u>-</u>	<u>3,866</u>	<u>-</u>
 <b>BORROWINGS</b>					
Loans		1,294	13,914	1,059	13,148
		<u>1,294</u>	<u>13,914</u>	<u>1,059</u>	<u>13,148</u>

*All interest bearing liabilities are secured over the future revenues of the Council.*

#### PROVISIONS

Employee entitlements (including oncosts)	520	238	550	136
Landfill Depot Remediation Liability	240	742	1,601	781
	<u>760</u>	<u>980</u>	<u>2,151</u>	<u>917</u>

#### *Movements in Provisions - 2011/12 year only (current & non-current)*

<i>Opening Balance</i>	2,382
<i>(Less) Payments</i>	(1,400)
<i>Closing Balance</i>	<u>982</u>

#### *Landfill Depot Remediation*

## City of Victor Harbor

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

#### Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2011	Net Increments (Decrements)	Transfers, Impairments	30/6/2012
Notes	\$'000	\$'000	\$'000	\$'000
Land	36,695	(4,138 )	-	32,557
Buildings	13,606	5,009	-	18,615
Roads	36,546	16,306	(64 )	52,788
Kerbing	5,694	2,408	290	8,392
Footpaths	3,832	-	42	3,874
Bridges	14,667	-	(1 )	14,666
Stormwater Drainage	21,346	-	123	21,469
Open Space	4,728	-	-	4,728
Carparks & Traffic Devices	2,588	-	-	2,588
Other Infrastructure	1,498	-	(18 )	1,480
Artworks	109	-	-	109
Library Materials	627	82	-	709
<b>TOTAL</b>	<b>141,936</b>	<b>19,667</b>	<b>372</b>	<b>161,975</b>
<i>Comparatives</i>	<i>135,138</i>	<i>5,855</i>	<i>943</i>	<i>141,936</i>

OTHER RESERVES	1/7/2011	Transfers to Reserve	Transfers from Reserve	30/6/2012
Car Park Redevelopment	315	47	-	362
Developers Contribution	985	36	(9 )	1,012
Granite Island	29	-	(29 )	-
Economic Development	160	137	(35 )	262
Open Space	344	12	(90 )	266
Renewable Energy	25	1	(2 )	24
Major Unspent Projects	1,017	291	(1,021 )	287
<b>TOTAL OTHER RESERVES</b>	<b>2,875</b>	<b>524</b>	<b>(1,186 )</b>	<b>2,213</b>
<i>Comparatives</i>	<i>2,738</i>	<i>370</i>	<i>(233 )</i>	<i>2,875</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).

##### **Car Park Development**

Developer contributions used for planning, design and construction of car parking facilities

##### **Developers Contributions**

Developer contributions used for construction of footpaths, drainage and other infrastructure

##### **Granite Island**

Unspent grants administered by the Granite Island Advisory Committee

##### **Economic Development**

From Commercial / Industrial rates for economic development and tourism purposes.

##### **Open Space**

Developer contributions used to develop land as open space

##### **Renewable Energy**

Contributions from solar program participants and contractor, used for future renewable energy initiatives.

##### **Major Unspent Grants**

Major grants received for application in future years

## City of Victor Harbor

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

#### Note 10 - ASSETS SUBJECT TO RESTRICTIONS

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

	Notes	2012 \$'000	2011 \$'000
<b>CASH &amp; FINANCIAL ASSETS</b>			
Unexpended amounts received from State Government:			
Department of Planning and Local Government Causeway Plaza Grant		-	635
Ocean Street Walkway Grant		-	201
Heritage Trail Grant		-	75
		<u>-</u>	<u>911</u>
<b>RECEIVABLES</b>			
Department of Planning and Local Government Ocean Street Streetscaping Project		-	45
		<u>-</u>	<u>45</u>
<b>TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS</b>		<u>-</u>	<u>956</u>



# City of Victor Harbor

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

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

**(a) Reconciliation of Cash**

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2012 \$'000	2011 \$'000
Total cash & equivalent assets	5	<u>3,569</u>	<u>4,778</u>
Balances per Cash Flow Statement		<u>3,569</u>	<u>4,778</u>

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

Net Surplus (Deficit)	1,301	1,837
Non-cash items in Income Statement		
Depreciation, amortisation & impairment	4,597	4,158
Non-cash asset acquisitions	(773)	(2,670)
Grants for capital acquisitions treated as Investing Activity	(1,083)	(799)
Net (Gain) Loss on Disposals	<u>576</u>	<u>371</u>
	4,618	2,897
Add (Less): Changes in Net Current Assets		
Net (increase) decrease in receivables	13	100
Net (increase) decrease in inventories	3	(25)
Net (increase) decrease in other current assets	-	(187)
Net increase (decrease) in trade & other payables	(1,583)	668
Net increase (decrease) in other provisions	(1,328)	174
Net increase (decrease) in other liabilities	<u>-</u>	<u>-</u>
<b>Net Cash provided by (or used in) operations</b>	<u>1,723</u>	<u>3,627</u>

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

Acquisition of assets by means of:

- Physical resources received free of charge	3	<u>773</u>	<u>2,670</u>
		<u>773</u>	<u>2,670</u>

**(d) Financing Arrangements**

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

Bank Overdrafts	100	100
Corporate Credit Cards	17	17
LGFA Cash Advance Debenture facility	3,000	1,400

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Council also has immediate access to a short-term draw-down facility and variable interest rate cash advance facilities from the Local Government Finance Authority of SA.

## City of Victor Harbor

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

#### Note 12 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Business Undertakings	634	1,014	949	1,046	(315)	(32)	-	1	8,835	10,738
Community Services	800	834	1,527	1,572	(727)	(738)	262	272	5,347	5,214
Culture	86	96	862	990	(776)	(894)	45	44	3,143	3,481
Economic Development	600	607	1,359	1,166	(759)	(559)	14	23	16	50
Environment	161	565	3,167	5,321	(3,006)	(4,756)	107	385	32,600	31,447
Recreation	164	180	1,713	1,622	(1,549)	(1,442)	-	9	40,834	38,747
Regulatory Services	441	474	1,388	1,398	(947)	(924)	-	-	10	12
Transport & Communication	218	219	3,008	3,011	(2,790)	(2,792)	165	517	103,776	92,639
Plant Hire & Depot/Indirect	116	106	358	421	(242)	(315)	-	-	4,088	3,317
Unclassified Activities	329	330	1,007	978	(678)	(648)	-	-	15,713	13,731
Council Administration	161	214	4,051	2,950	(3,890)	(2,736)	-	-	22,369	19,005
Revenue	15,700	14,266	-	-	15,700	14,266	771	269	1,080	-
<b>TOTALS</b>	<b>19,410</b>	<b>18,905</b>	<b>19,389</b>	<b>20,475</b>	<b>21</b>	<b>(1,570)</b>	<b>1,364</b>	<b>1,520</b>	<b>237,811</b>	<b>218,381</b>

Excludes net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

#### **BUSINESS UNDERTAKINGS**

Caravan Park, Private Works, Horse Tram and Whale Centre.

#### **COMMUNITY SERVICES**

Crime Prevention, Fire Prevention, Health Services, Senior Citizens, Community Assistance, Community Service Projects, Aged Services, Community Transport, Cemeteries, Public Conveniences, Car Parking.

#### **CULTURE**

Library, Town Hall and Other Cultural Services.

#### **ECONOMIC DEVELOPMENT**

Tourism Marketing, Visitor Information Centre and Other Economic Development.

#### **ENVIRONMENT**

Waste Collection, Waste Disposal, Coastal Protection, Environment Projects, Natural Resources Management, Stormwater Drainage, Street Cleaning, Street Lighting and Streetscaping.

#### **RECREATION**

Parks and Gardens, Outdoor Sports Facilities and Indoor Sports Facilities.

#### **REGULATORY SERVICES**

Dog and Cat Control, Building Control, Town Planning, Health Inspection, Parking Control and Other Regulatory Services.

#### **TRANSPORT**

Sealed Roads, Unsealed Roads, Kerbing and Footpaths, Bridges, Traffic Management and Community Bus.

#### **PLANT, DEPOT AND INDIRECT**

Plant and Machinery, Depot and Indirect Works.

#### **UNCLASSIFIED ACTIVITIES**

Other Property, Loans and Interest.

#### **COUNCIL ADMINISTRATION**

Administration NEC, Elected Members, Organisational, Accounting / Finance, Payroll, Human Services, Information Technology, Communication, Rates Administration, Records, Occupancy and Customer Service.

#### **REVENUE**

General rates, Separate Rates, LG Grants Commission.

## City of Victor Harbor

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

#### Note 13 - FINANCIAL INSTRUMENTS

##### Recognised Financial Instruments

<b>Bank, Deposits at Call, Short Term Deposits</b>	<b>Accounting Policy:</b> Carried at lower of cost and net realisable value; Interest is recognised when earned.
	<b>Terms &amp; conditions:</b> Deposits are returning fixed interest rates of 3.5% (2011: 4.75%).
	<b>Carrying amount:</b> approximates fair value due to the short term to maturity.
<b>Receivables</b> Rates & Associated Charges (including legals & penalties for late payment)  Note: These receivables do not meet the definition of "financial instruments" and have been excluded from the following disclosures.	<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.
	<b>Terms &amp; conditions:</b> Secured over the subject land, arrears attract interest of 9.25% (2011: 9%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.
	<b>Carrying amount:</b> approximates fair value (after deduction of any allowance).
<b>Receivables</b> Fees & other charges	<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.
	<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.
	<b>Carrying amount:</b> approximates fair value (after deduction of any allowance).
<b>Receivables</b> Other levels of government	<b>Accounting Policy:</b> Carried at nominal value.
	<b>Terms &amp; conditions:</b> Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Governments of the Commonwealth & State.
	<b>Carrying amount:</b> approximates fair value.
<b>Liabilities</b> Creditors and Accruals	<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.
	<b>Terms &amp; conditions:</b> Liabilities are normally settled on 30 day terms.
	<b>Carrying amount:</b> approximates fair value.
<b>Liabilities</b> Interest Bearing Borrowings	<b>Accounting Policy:</b> Carried at the principal amounts. Interest is charged as an expense as it accrues.
	<b>Terms &amp; conditions:</b> secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 5.05% and 7.3% (2011: 5.4% and 7.45%)
	<b>Carrying amount:</b> approximates fair value.
<b>Liabilities</b> Finance Leases	<b>Accounting Policy:</b> accounted for in accordance with AASB 117.

## City of Victor Harbor

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

#### Note 13 (cont) - FINANCIAL INSTRUMENTS

##### Liquidity Analysis

2012	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash & Equivalents	3,569	-	-	3,569	3,569
Receivables	338	-	-	338	338
Other Financial Assets	-	346	389	735	735
<b>Total</b>	<b>3,907</b>	<b>346</b>	<b>389</b>	<b>4,642</b>	<b>4,642</b>
<b>Financial Liabilities</b>					
Payables	1,058	-	-	1,058	1,058
Current Borrowings	1,377	-	-	1,377	1,294
Non-Current Borrowings	-	4,211	16,911	21,122	13,914
<b>Total</b>	<b>2,435</b>	<b>4,211</b>	<b>16,911</b>	<b>23,557</b>	<b>16,266</b>
2011	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	4,778	-	-	4,778	4,778
Receivables	1,406	-	-	1,406	539
Other Financial Assets	-	508	571	1,079	809
<b>Total</b>	<b>6,184</b>	<b>508</b>	<b>571</b>	<b>7,263</b>	<b>6,126</b>
<b>Financial Liabilities</b>					
Payables	2,879	-	-	2,879	2,580
Current Borrowings	1,992	-	-	1,992	1,059
Non-Current Borrowings	-	7,504	11,185	18,689	13,148
<b>Total</b>	<b>4,871</b>	<b>7,504</b>	<b>11,185</b>	<b>23,560</b>	<b>16,787</b>

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

	30 June 2012		30 June 2011	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Overdraft				
Other Variable Rates	-	-	4.75	2,580
Fixed Interest Rates	6.48	15,208	6.71	14,207
		<u>15,208</u>		<u>16,787</u>

#### Net Fair Value

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

#### Risk Exposures

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

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

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

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

# City of Victor Harbor

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

### Note 14 - COMMITMENTS FOR EXPENDITURE

	<u>Notes</u>	2012 \$'000	2011 \$'000
<b>Capital Commitments</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Causeway Plaza Re-Development*	_____	-	1,870
	_____	-	1,870
These expenditures are payable:			
Not later than one year	_____	-	1,870
	_____	-	1,870
*Causeway Plaza Re-Development fully completed in 11/12. No future Capital Commitment in relation to this project.			
<b>Other Expenditure Commitments</b>			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		41	66
Employee Remuneration Contracts		2,461	1,276
Street Sweeping		12	66
Building Maintenance		95	120
Library Systems		186	247
Security Services		44	80
		<u>2,839</u>	<u>1,855</u>
These expenditures are payable:			
Not later than one year		897	778
Later than one year and not later than 5 years		1,818	1,055
Later than 5 years		124	22
		<u>2,839</u>	<u>1,855</u>

# City of Victor Harbor

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

### Note 15 - FINANCIAL INDICATORS

2012                      2011                      2010

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>	0%	(12%)	(4%)
Rates - general & other less NRM levy			

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

<b>Adjusted Operating Surplus Ratio</b>	(1%)	(12%)	(3%)
-----------------------------------------	------	-------	------

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

**Net Financial Liabilities Ratio**

<u>Net Financial Liabilities</u>	72%	78%	91%
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>	46%	46%	53%
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 as at 30/06/12 of the Infrastructure & Asset Management Plan currently under review.*

## City of Victor Harbor

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

#### Note 16 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2012 \$'000	2011 \$'000
Income	19,410	18,905
less Expenses	<u>19,389</u>	<u>20,475</u>
<b>Operating Surplus / (Deficit)</b>	<b>21</b>	<b>(1,570)</b>
<i>less Net Outlays on Existing Assets</i>		
Capital Expenditure on renewal and replacement of Existing Assets	3,083	1,636
less Depreciation, Amortisation and Impairment	4,597	4,158
less Proceeds from Sale of Replaced Assets	<u>187</u>	<u>232</u>
	(1,701)	(2,754)
<i>less Net Outlays on New and Upgraded Assets</i>		
Capital Expenditure on New and Upgraded Assets <i>(including investment property &amp; real estate developments)</i>	2,260	1,127
less Amounts received specifically for New and Upgraded Assets	1,083	799
less Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>66</u>	<u>1</u>
	<u>1,111</u>	<u>327</u>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b><u>611</u></b>	<b><u>857</u></b>

# City of Victor Harbor

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

### Note 17 - OPERATING LEASES

#### *Leases providing revenue to the Council*

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

Lessees commitments under all non-cancellable lease agreements, including those relating to Investment Property, are as follows:

	2012 \$'000	2011 \$'000
Not later than one year	335	326
Later than one year and not later than 5 years	1,306	1,272
Later than 5 years	6,513	6,793
	<u>8,154</u>	<u>8,391</u>

#### *Lease payment commitments of Council*

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

No contingent rentals were paid during the current or previous reporting periods.

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

Leases in relation to property and equipment permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

	2012 \$'000	2011 \$'000
Not later than one year	122	110
Later than one year and not later than 5 years	175	81
Later than 5 years		5
	<u>297</u>	<u>196</u>



# City of Victor Harbor

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

### Note 18 - Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

#### **Marketlink (Accumulation Fund) Members**

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9% in 2011/12; 9% in 2010/11). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund

#### **Salarylink (Defined Benefit Fund) Members**

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

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

The Salarylink Fund is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Scheme's actuary, A C Miller, FIAA, of Russell Employee Benefits Pty Ltd as at 30 June 2011. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

# City of Victor Harbor

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

### Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

All joint ventures and associated entities are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

#### **Fleurieu Regional Waste Authority**

Established by the City of Victor Harbor, Alexandrina Council, District Council of Yankalilla and Kangaroo Island Council in July 2010, this organisation is responsible for the waste management function across the Fleurieu and Kangaroo Island Council areas.

	2012 \$'000	2011 \$'000
<b>Fleurieu Regional Waste Authority</b>		
Council's respective interests are:		
- interest in outputs of the joint operation	35%	35%
- ownership interest in the joint operation	35%	
- the proportion of voting power in the joint operation	25%	25%
 <u>Movements in Investment in Joint Operation</u>		
Opening Balance	84	
Share in Operating Result	36	84
<b>Share in Equity of Joint Operation</b>	<b>120</b>	<b>84</b>

#### **Expenditure Commitments**

Expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:

<u>Capital Expenditures payable</u>		
Not later than one year	-	83
Later than one year and not later than 5 years	-	664
Later than 5 years	-	170
	-	917
 <u>Operating Expenditures payable</u>		
Not later than one year	68	89
Later than one year and not later than 5 years	155	174
Later than 5 years	12	
	<b>235</b>	<b>263</b>

#### **Contingent Liabilities**

Each member of the operation is jointly and severally liable for the debts of the operation

- arising from Council's share of the joint operation
- arising from joint and several liability of all members

# City of Victor Harbor

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

### Note 20 - 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 383 km of road reserves of average width 19.8 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 all know 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 claim know 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 no loans or other banking facilities advanced to community organisations and sporting bodies, at reporting date.

#### 4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 1 appeal against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

#### 5. "CARBON" TAX

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

### Note 21 - EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date to be disclosed.