

City of
Mount Gambier

FINANCIAL STATEMENTS

2017/2018

City of Mount Gambier

General Purpose Financial Reports for the year ended 30 June 2018

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City of Mount Gambier

Annual Financial Statements for the year ended 30 June 2018


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 2018 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

City of Mount Gambier

Statement of Comprehensive Income for the year ended 30 June 2018

		2018	2017
	Notes	\$'000	\$'000
INCOME			
Rates	2	20,597	19,672
Statutory charges	2	447	421
User charges	2	4,506	4,515
Grants, subsidies and contributions	2	3,906	4,858
Investment income	2	62	35
Reimbursements	2	61	196
Other income	2	522	650
Total Income		<u>30,101</u>	<u>30,347</u>
EXPENSES			
Employee costs	3	11,033	10,728
Materials, contracts & other expenses	3	10,023	10,168
Depreciation, amortisation & impairment	3	7,004	7,331
Finance costs	3	236	269
Total Expenses		<u>28,296</u>	<u>28,496</u>
OPERATING SURPLUS / (DEFICIT)		1,805	1,851
Asset disposal & fair value adjustments	4	(243)	48
Amounts received specifically for new or upgraded assets	2	445	2,189
Physical resources received free of charge	2	463	1,213
NET SURPLUS / (DEFICIT)		<u>2,470</u>	<u>5,301</u>
transferred to Equity Statement			
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	22,325	(13,457)
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(1,217)	-
Total Other Comprehensive Income		<u>21,108</u>	<u>(13,457)</u>
TOTAL COMPREHENSIVE INCOME		<u>23,578</u>	<u>(8,156)</u>

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

City of Mount Gambier
Statement of Financial Position
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	4,587	3,028
Trade & other receivables	5	1,524	1,354
Inventories	5	304	32
Total current assets		<u>6,415</u>	<u>4,414</u>
Non-current assets			
Financial assets	6	-	35
Infrastructure, property, plant & equipment	7	246,964	228,257
Total non-current assets		<u>246,964</u>	<u>228,292</u>
Total assets		<u>253,379</u>	<u>232,706</u>
LIABILITIES			
Current liabilities			
Trade & other payables	8	2,429	2,951
Borrowings	8	218	206
Provisions	8	2,332	3,288
Total current liabilities		<u>4,979</u>	<u>6,445</u>
Non-current liabilities			
Borrowings	8	2,572	2,790
Provisions	8	3,593	3,599
Total non-current Liabilities		<u>6,165</u>	<u>6,389</u>
Total liabilities		<u>11,144</u>	<u>12,834</u>
NET ASSETS		<u>242,235</u>	<u>219,872</u>
EQUITY			
Accumulated surplus		64,769	61,333
Asset revaluation reserves	9	176,619	155,509
Other reserves	9	847	3,030
TOTAL EQUITY		<u>242,235</u>	<u>219,872</u>

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

City of Mount Gambier

Statement of Changes in Equity for the year ended 30 June 2018

2018	Notes	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Available for sale financial assets \$'000	Other reserves \$'000	Total equity \$'000
Balance at end of previous reporting period		61,333	155,509	-	3,030	219,872
Net surplus / (deficit) for the year		1,253				1,253
Other Comprehensive Income						
Gain on revaluation of infrastructure, property, plant & equipment	9		22,325			22,325
Impairment (expense) / recoupsments offset to asset revaluation reserve			(1,217)			(1,217)
Other equity adjustments		(0)	2		0	2
Transfers between reserves	9	2,183			(2,183)	-
Balance at end of period		64,769	176,619	-	847	242,235
2017	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		54,680	168,966	-	4,382	228,028
Net surplus / (deficit) for the year		5,301				5,301
Other Comprehensive Income						
Gain on revaluation of infrastructure, property, plant & equipment	9		(13,457)			(13,457)
Other equity adjustments		-				-
Transfers between reserves	9	1,352			(1,352)	-
Balance at end of period		61,333	155,509	-	3,030	219,872

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 2018

	Notes	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		19,522	19,682
Fees & other charges		447	454
User charges		4,343	4,752
Investment receipts		62	33
Grants utilised for operating purposes		3,906	5,222
Reimbursements		61	216
Other revenues		597	4,034
<u>Payments</u>		-	-
Employee costs		(12,591)	(10,692)
Materials, contracts & other expenses		(8,940)	(13,711)
Finance payments		(172)	(201)
Net cash provided by (or used in) Operating Activities		<u>7,235</u>	<u>9,789</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		445	2,189
Sale of replaced assets		146	407
Sale of surplus assets		71	105
Repayments of loans by community groups		35	40
<u>Payments</u>		-	-
Expenditure on renewal/replacement of assets		(3,920)	(3,253)
Expenditure on new/upgraded assets		(2,247)	(6,322)
Net cash provided by (or used in) Investing Activities		<u>(5,470)</u>	<u>(6,834)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Payments</u>			
Repayments of borrowings		(206)	(874)
Net cash provided by (or used in) Financing Activities		<u>(206)</u>	<u>(874)</u>
Net increase / (decrease) in cash held		1,559	2,081
 Cash & cash equivalents at beginning of period	10	<u>3,028</u>	<u>947</u>
Cash & cash equivalents at end of period	10	<u>4,587</u>	<u>3,028</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 on a going concern basis using the historical cost convention 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 16 October 2018.

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 these Notes.

1.4 Rounding

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

2 The Local Government reporting entity

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

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 2018

Note 1 (cont) – Significant Accounting Policies

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below

	Cash Payment Received	Annual Allocation	Difference	
2015/16	\$1,435,554	\$2,752,676	-	\$1,317,122
2016/17	\$3,907,937	\$2,580,055	+	\$1,327,882
2017/18	\$3,171,660	\$3,017,871	-	\$153,789

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in note 13 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

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

3.1 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".

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. For the reporting year inventories include work in progress, where in the comparison year these were capitalised within the non-current fixed assets.

6 Infrastructure, property, plant & equipment

6.1 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.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 1 (cont) – Significant Accounting Policies

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.

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 given in Note 7. No capitalisation threshold is applied to the acquisition of land or interests in land.

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.

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

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

6.5 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets carried at fair value 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, are not assessed for impairment.

Other 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).

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.

7 Payables

7.1 Goods & services

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

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1 (cont) – Significant Accounting Policies

7.2 Payments received in advance & deposits

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

8 Borrowings

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

9 Employee benefits

9.1 Salaries, wages & compensated absences

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

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

Weighted average discount rate	1.94% (2017, 1.63%)
Weighted average settlement period	1 year (2017, 1 year)

No accrual is made for non-vesting 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 non-vesting sick leave.

An accrual is made for vesting sick leave and Council does make payment for vesting sick leave in accordance with the Enterprise Bargaining Agreement for AWU employees.

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 Provisions for reinstatement, restoration, rehabilitation, etc.

Capping and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation and rehabilitation of disturbed areas. Estimated close capping and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change, Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 1 (cont) – Significant Accounting Policies

11 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, and;
- amounts included in the Statement of Cash Flows are disclosed on a gross basis.

12 New accounting standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2017 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 16	Leases
AASB 1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-7, AASB 2014-8, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-8, AASB 2015-10, AASB 2016-7 and AASB 2016-8.

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

Council is of the view that other than AASB 16 and AASB 1058, 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.

Accounting Standard AASB 16 *Leases* may have a material effect on the amounts disclosed in these reports, particularly in relation to infrastructure, property, plant & equipment. Accounting Standard AASB 1058 *Income of Not-for-Profit Entities* may have a material effect on the amounts disclosed in these reports, particularly in revenues from grants & subsidies. Neither of these standards commence until the 2019/20 financial period and it is not Council's intention to adopt this standard early.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 2 - Income

	Notes	2018 \$'000	2017 \$'000
RATES REVENUES			
<u>General Rates</u>		19,594	18,755
Less: Discretionary rebates, remissions & write offs		(221)	(197)
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		1,079	1,038
<u>Other Charges</u>			
Penalties for late payment		79	76
Legal & other costs recovered		67	-
Total rates revenue		20,597	19,672
STATUTORY CHARGES			
Development Act fees		95	88
Town planning fees		110	97
Health & septic tank inspection fees		21	-
Animal registration fees & fines		143	152
Parking fines / expiation fees		18	32
Other licences, fees, & fines		60	52
Total statutory charges		447	421
USER CHARGES			
Cemetery/crematoria fees		817	969
Green waste collection		472	460
Landfill charges		2,112	1,949
Hall & equipment hire		279	334
Recycling		132	131
Sales - general		441	289
Bus ticketing		242	274
Sales - sundry		11	109
Total user charges		4,506	4,515
INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		49	34
Banks & other		13	1
Total investment income		62	35

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

NOTE 2 - Income (continued)

	Notes	2018 \$'000	
REIMBURSEMENTS			
Reimbursements - roadworks		14	44
Reimbursements - private works		63	98
Reimbursements - other		(16)	54
Total reimbursements		61	0
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		148	473
Donations		57	28
Other income - sundry		317	149
Total other income		522	650
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		445	2,189
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		3,172	3,908
Roads to Recovery		564	763
Grants - tied		-	-
Library & Communications		148	179
Grants, subs, contributions - sundry		22	8
Subtotal - other grants, subsidies and contributions		3,906	4,858
Total grants, subsidies, contributions		4,351	7,047
<i>The functions to which these grants relate are shown in Note 11.</i>			
Sources of grants			
Commonwealth government		564	763
State government		3,787	6,284
		4,351	7,047

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

NOTE 2 - Income (continued)

	2018	2017
Notes	\$'000	\$'000
Conditions over grants & contributions		
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:		
Unexpended at the close of the previous reporting period	130	-
Less: expended during the current period from revenues recognised in previous reporting periods		
Bicycle Funding Program	(40)	-
Salvage Yard	(90)	-
Subtotal	(130)	-
Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions		
Bicycle Funding Program	-	40
Salvage Yard	-	90
Rail Trail - Stage 3	250	-
Subtotal	250	130
Unexpended at the close of this reporting period	250	130
 Net increase / (decrease) in assets subject to conditions in the current reporting period	 120	 130
 PHYSICAL RESOURCES RECEIVED FREE OF CHARGE		
Land - free of charge	188	127
Roads & footpaths - free of charge	269	1,086
Art - free of charge	6	-
Total physical resources received free of charge	463	1,213

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3 - Expenses

	Notes	2018 \$'000	2017 \$'000
EMPLOYEE COSTS			
Salaries and wages		8,785	9,493
Employee leave expense		944	146
Superannuation	16	997	966
Workers' compensation insurance		262	420
Operating employee costs - other		45	61
Total operating employee costs		11,033	10,728
<i>Total number of employees expressed in full time equivalents</i>		125	123
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed expenses</u>			
Audit fees			
- Auditing the financial reports		33	21
Bad and doubtful debts		23	-
Elected members' expenses		459	310
Election expenses		14	8
Subtotal - Prescribed expenses		529	339
<u>Other materials, contracts & expenses</u>			
Contractors		1,528	3,023
Repairs & maintenance		575	-
Contributions / donations		581	763
<u>Individually significant items</u>			
Energy		835	718
Insurance		282	324
Levies paid to government - EPA, ESL & dog levies		1,114	987
NRM levy expense		1,079	1,041
Materials		206	1,345
Training		193	195
Sundry expenses		3,101	1,433
Subtotal - Other materials, contracts & expenses		9,494	9,829
		10,023	10,168

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 3 - Expenses (continued)

	Notes	2018 \$'000	2017 \$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		2,363	2,873
Infrastructure			
- Waste management		623	581
- Stormwater drainage		99	99
- Bridges		3	3
- Footpaths & kerbing		702	669
- Roads		1,826	1,753
- Carparks		249	248
Plant & Equipment		701	699
Office Equipment		158	143
Other		280	263
Impairment of derecognised assets		1,217	-
		8,221	7,331
Less: Impairment expense offset to asset revaluation re	9	(1,217)	-
		7,004	7,331
Interest on overdraft and short-term drawdown		-	19
Interest on loans		172	182
Unwinding of present value discounts		64	68
		236	269

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 4 - Gain / (loss) on asset disposal

	2018	2017
Notes	\$'000	\$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		
<i>Assets renewed or directly replaced</i>		
Proceeds from disposal	146	407
Less: Carrying amount of assets sold	100	403
Gain / (loss) on disposal	46	4
 Asset surplus to requirements		
Proceeds from disposal	71	105
Less: Carrying amount of assets sold	85	61
Gain / (loss) on disposal	(14)	44
 Impairment of disposed assets	 (275)	 -
	(275)	-
NET GAIN/(LOSS) ON DISPOSAL, OR REVALUATION OF ASSETS	(243)	48

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 5 - Current assets

	Notes	2018 \$'000	2017 \$'000
CASH & EQUIVALENT ASSETS			
Cash on hand and at bank		327	152
Deposits at call		3,522	2,876
Short term deposits & bills, etc		738	-
		<u>4,587</u>	<u>3,028</u>
Rates - General & other		430	433
Accrued revenues		11	6
Debtors - general		883	761
GST recoupment		155	141
Prepayments		53	-
Loans to community organisations		35	33
Total		<u>1,567</u>	<u>1,374</u>
Less: Allowance for doubtful debts		43	20
		<u>1,524</u>	<u>1,354</u>
Stores & materials		20	18
Trading stock		10	14
Work in progress		274	-
		<u>304</u>	<u>32</u>

Note 6 - Non-current assets

	Notes	2018 \$'000	2017 \$'000
FINANCIAL ASSETS			
Loans to community organisations		-	35
Total financial assets		<u>-</u>	<u>35</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 7 - Infrastructure, property, plant & equipment

		2017 \$'000				2018 \$'000			
Fair Value Level		At fair value	At cost	Accumulated depreciation	Carrying amount	At fair value	At cost	Accumulated depreciation	Carrying amount
Land	2	10,063	-	-	10,063	10,063	-	-	10,063
Land	3	41,589	128	-	41,717	41,590	361	-	41,951
Buildings & other structures	2	1,009	9	-	1,018	1,009	9	-	1,018
Buildings & other structures	3	98,446	1,123	(32,620)	66,949	96,041	2,227	(33,793)	64,475
Waste Management	3	7,678	1,169	(5,446)	3,401	7,678	1,198	(6,068)	2,808
<u>Infrastructure</u>		-	-	-	-	-	-	-	-
- Stormwater drainage	3	6,953	96	(1,887)	5,162	6,953	232	(1,986)	5,199
- Bridges	3	164	-	(70)	94	164	-	(73)	91
- Footpaths & kerbing	3	14,755	1,247	(2,348)	13,654	68,200	2,728	(16,555)	54,373
- Roads	3	90,998	2,239	(24,045)	69,192	59,059	4,273	(15,194)	48,138
- Carparks	3	9,955	29	(2,299)	7,685	10,155	76	(2,092)	8,139
Plant & equipment	3	-	7,030	(1,909)	5,121	(118)	7,743	(2,491)	5,134
Office equipment	3	-	1,909	(1,490)	419	-	2,060	(1,648)	412
Ridloch collection	3	-	2,059	-	2,059	1,369	2,065	-	3,434
Other	3	-	2,944	(1,221)	1,723	-	3,232	(1,501)	1,731
Total infrastructure, property, plant & equipment		281,610	19,982	(73,335)	228,257	302,163	26,204	(81,403)	246,964
Comparatives		295,748	2,430	(67,829)	230,349	281,610	19,982	(73,335)	228,257

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 7 - Infrastructure, property, plant & equipment

	Carrying amount movements during the year										2018 \$'000
	\$'000										
	2017 Carrying amount \$'000	Additions		Disposals	Depreciation	Impairment	Transfers		Net revaluation	2018 Carrying amount \$'000	
	New/Upgrade	Renewals				In	Out				
Land	10,063	-	-	-	-	-	-	-	-	-	10,063
Land	41,717	234	-	-	-	-	-	-	-	-	41,951
Buildings & other structures	1,018	-	-	-	-	-	-	-	-	-	1,018
Buildings & other structures	66,949	399	705	-	(2,363)	(1,215)	-	-	-	-	64,475
Waste Management	3,401	30	-	-	(623)	-	-	-	-	-	2,808
Infrastructure											
- Stormwater drainage	5,162	4	132	-	(99)	-	-	-	-	-	5,199
- Bridges	94	-	-	-	(3)	-	-	-	-	-	91
- Footpaths & kerbing	13,654	1,021	459	(29)	(702)	-	21,290	-	18,679	-	54,372
- Roads	69,192	252	1,782	(245)	(1,826)	-	-	(21,290)	273	-	48,138
- Carparks	7,685	47	-	-	(249)	-	-	-	655	-	8,138
Plant & equipment	5,121	3	897	(185)	(701)	(2)	-	-	-	-	5,133
Office equipment	419	15	136	-	(158)	-	-	-	-	-	412
Riddoch collection	2,059	6	-	-	-	-	-	-	-	-	3,434
Other	1,723	236	53	-	(280)	-	-	-	1,369	-	1,732
	228,257	2,247	4,164	(459)	(7,004)	(1,217)	21,290	(21,290)	20,976		246,964
Comparatives	234,422	10,621	4,466	(464)	(7,331)	-	-	-	3,932		228,257

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 2018

Note 7 (cont) – Infrastructure, property, plant & equipment

Note 7 – 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, revaluations and additions are recorded per the Valuer General's valuation.

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.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 7 (cont) – Infrastructure, property, plant & equipment

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	\$5,000
Other plant & equipment	\$5,000
Buildings - new construction/extensions	\$5,000
Park & playground furniture & equipment	\$5,000
Road construction & reconstruction	\$5,000
Paving & footpaths, kerb & gutter	\$5,000
Stormwater & drainage	\$5,000
Artworks	\$5,000

These thresholds are indicative only and where an asset is material by its nature rather than value, the capitalisation threshold may be a lesser amount.

Estimated useful lives:

Useful lives are estimated for each individual asset. In estimating useful lives, regard is given 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. The useful life represents Council's expected availability for use and is in line with Council's planned replacement schedules.

Land	indefinite
Furniture & equipment	
Office equipment & software	3 to 25 years
Office furniture	10 years
Plant & machinery	
Staff vehicles	2 years
Trucks	5 to 25 years
Rollers, loaders, graders & tractors	10 to 25 years
Sundry plant	2 to 15 years
Building & other structures	
Buildings – structure	50 to 100 years
Buildings – roofing	40 years
Buildings – services	40 to 60 years
Buildings – fit-out	15 to 25 years
Park shelters & other structures	20 to 30 years
Playground equipment	20 to 30 years
Benches, seats, etc.	10 to 20 years
Infrastructure	
Sealed roads – seal	12 to 40 years
Sealed roads – pavements	30 to 75 years
Sealed roads – sub pavements	120 to 150 years
Unsealed roads	10 to 20 years
Bridges – concrete	50 years
Footpaths	10 to 70 years
Kerbing & channels	40 to 70 years
Stormwater drainage	70 years
Landfill assets	6 to 12 years
Other Assets	
Library books	10 to 15 years
Artworks	indefinite

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 7 (cont) – Infrastructure, property, plant & equipment

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 Improvements

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 1997 at current replacement cost. Additions are recognised at cost.

Buildings & other structures

Buildings and other structures were revalued as at 1 July 2016 by Richard Wood, AAPI CPV, of Opteon Property Group. Additions are recognised at cost.

Infrastructure

Transportation assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2018, based on actual costs incurred during the reporting periods ended 30 June 2018. All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater drainage infrastructure was valued by Council officers as at 30 June 2018 at depreciated current replacement cost, based on actual costs incurred during the reporting period ended 30 June 2018. All acquisitions made after the respective dates of valuation are recorded at cost.

Landfill

Landfill remediation and cell development assets are amortised on a consumption basis over the individual landfill cell's capacity to receive waste. At the time of construction of a cell, Council includes the present value of estimated costs to cap and close the cell into the landfill cell. This estimate is offset by the recognition of a provision. This recognition of the capping costs is amortised in line with the consumption of the landfill cell's capacity used in any one year.

Plant, furniture & equipment

These assets are recognised at historical cost.

All other assets

These assets are recognised at historical cost. Library books and other lending materials are capitalised in bulk each year and written off when fully depreciated.

The Riddoch art collection was revalued as at 30 June 2018 by Simon Storey Art and Cultural Collection Valuers. These assets are not depreciated.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 8 - Liabilities

	2018	2017
	\$'000	\$'000
TRADE & OTHER PAYABLES		
Notes		
Goods & services	1,519	2,066
Payments received in advance	153	163
Accrued expenses - employee entitlements	361	292
Accrued expenses - other	247	9
Deposits, retentions & bonds	88	249
Other payables	61	172
Total trade & other payables	2,429	2,951
BORROWINGS Current		
Loans current	218	206
Total borrowings current	218	206
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>		
BORROWINGS Non-current		
Loans non-current	2,572	2,790
Total borrowings non-current	2,572	2,790
PROVISIONS Current		
Employee entitlements (including oncosts)	2,332	2,288
Future reinstatement / restoration, etc.	-	1,000
Total provisions current	2,332	3,288
PROVISIONS Non-current		
Employee entitlements (including oncosts)	161	232
Future reinstatement / restoration, etc.	3,432	3,367
Total provisions non-current	3,593	3,599

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 9 - Reserves

EQUITY

Asset Revaluation Reserve	Opening	Net increments (decrements)	Transfers, impairments	Closing
	\$'000	\$'000	\$'000	\$'000
Land	41,311	-	-	41,311
Buildings & structures	57,606	(4,257)	(1,215)	52,134
Infrastructure	52,172	24,425	(2,776)	73,821
Waste management	-	132	2,776	2,908
Plant & equipment	770	-	-	770
Minor plant	34	2	(2)	34
Carparks	-	655	-	655
Other assets	3,616	1,370	-	4,986
TOTAL	155,509	22,327	(1,217)	176,619
<i>Comparatives 30 June 2017</i>	<i>168,966</i>	<i>(13,457)</i>	<i>-</i>	<i>155,509</i>

Other Reserves	Opening	Transfers to reserve	Transfers from reserve	Closing
	\$'000	\$'000	\$'000	\$'000
Long service leave	724	-	(724)	-
Downstream drainage	219	-	(219)	-
Work in progress	1,314	-	(1,314)	-
Mount Gambier Cemetery	696	14	-	710
Mayor Christmas Appeal	-	38	-	38
Christmas Parade	-	13	-	13
Junior Sports Assistance Fund	77	9	-	86
	3,030	74	(2,257)	847
<i>Comparatives 30 June 2017</i>	<i>4,382</i>	<i>1,428</i>	<i>(2,780)</i>	<i>3,030</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

Other reserves are used when reserves are maintained for the purpose of specific Council committees or for committed funds of Council.

Long Service Leave

The Long Service Leave reserve represented funds for the purpose of the City of Mount Gambier employee long service leave entitlements (2017). This reserve was discontinued in 2018 as these liabilities are separately accounted for under provisions in the Statement of Financial Position.

Downstream Drainage

The downstream drainage reserve represented funds recently contributed by developers and held by Council to complete drainage obligations and included interest received on the quarantined funds (2017). This reserve was discontinued in 2018 as these liabilities were considered part of the broader expectations of Council to maintain drainage, irrespective of funding.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Work in Progress

The work in progress reserve represents Council works and projects that are carried over from one budgetary year to the next. It represents work in progress expenditure not yet incurred at the end of the budget year. Transfers from the fund are made as and when required with works and projects normally completed in the year following. This reserve is discontinued from the reporting year onwards.

Mount Gambier Cemetery

The Mount Gambier cemetery reserve represents funds that have been allocated for any development works or projects that may be required at the Carinya Gardens Cemetery and Crematorium. Transfers to the reserve include Cemetery interest received.

Mayor Christmas Appeal

The Mayor Christmas Appeal reserve represents bank funds and payables of the City of Mount Gambier related to the Mayor Christmas Appeal and to be used for that purpose.

Christmas Parade

The Christmas Parade reserve represents bank funds and payables of the City of Mount Gambier related to the Christmas Parade and to be used for that purpose.

Junior Sports Assistance Fund

The Junior Sports Assistance Fund reserve represents bank funds and payables of the City of Mount Gambier related to the Junior Sporting Assistance Fund and to be used for that purpose.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 10 - Reconciliation of 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 Statement of Financial Position as follows:

	Notes	2018 \$'000	2017 \$'000
Total cash & equivalent assets	5	4,587	3,028
Less: Short-term borrowings	8	-	-
Balances per Cash Flow Statement		<u>4,587</u>	<u>3,028</u>

(b) Reconciliation of change in Net assets to Cash flows from Operating Activities

Net surplus / (deficit)		2,470	5,301
Non-cash items in Income Statement			
Depreciation, amortisation & impairment	3	7,004	7,331
Net increase / (decrease) in unpaid employee benefits		42	36
Premiums & discounts recognised & unwound	3	64	68
Change in allowances for under-recovery		-	-
Non-cash asset acquisitions	2	(463)	(1,213)
Grants for capital acquisitions treated as Investing Activity	2	(445)	(2,189)
Net (gain) / loss on disposals	4	243	(48)
		<u>8,915</u>	<u>9,286</u>
Add / (less): Changes in net current assets			
Net (increase) / decrease in receivables		(170)	(203)
Net (increase) / decrease in inventories		(272)	7
Net (increase) / decrease in other current assets		-	-
Net increase / (decrease) in trade & other payables		(589)	699
Net increase / (decrease) in other provisions		-	-
Net increase / (decrease) in other reserves		(649)	-
Net increase / (decrease) in other liabilities		-	-
Net cash provided by (or used in) operations		<u>7,235</u>	<u>9,789</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

- Physical resources received free of charge	2	463	1,213
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(d) Financing arrangements

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

Bank overdrafts	250	250
Corporate credit cards	25	29
LGFA Cash Advance Debenture facility	10,000	10,000

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

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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)		
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	
Administration / Support Services	23,768	23,580	2,489	6,724	21,280	16,856	3,172	3,908	57,360	18,934	
Community Support	884	1,111	2,203	2,113	(1,319)	(1,002)	3	4	8,854	9,467	
Culture	465	549	6,994	3,402	(6,529)	(2,853)	148	179	-	42,602	
Economic Development	304	317	2,037	1,977	(1,733)	(1,660)	-	-	21	4,734	
Environment	2,994	2,892	5,728	5,315	(2,735)	(2,423)	9	4	8,044	11,834	
Recreation	115	73	3,151	2,837	(3,036)	(2,764)	-	-	769	40,235	
Regulatory Services	398	430	1,202	1,036	(804)	(606)	-	-	-	-	
Transport	578	807	3,014	3,439	(2,436)	(2,632)	564	763	102,769	92,305	
Engineering / Indirect	-	-	1,164	1,230	(1,164)	(1,230)	-	-	75,561	7,100	
Unclassified Activities	595	588	314	423	280	165	10	-	-	9,467	
Total	30,101	30,347	28,296	28,496	1,804	1,851	3,906	4,858	253,378	236,678	

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

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 11 (cont)– Components of functions

The activities relating to Council functions are as follows:

Business undertakings

Private Works and Landfill Facility.

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, Senior Citizens Facilities, 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, Visitor Information and Other Economic Development.

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

Bridges, Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management and Other Transport.

Unclassified activities

Finance charges and investment revenue, private works and sundry property maintenance.

Council Administration

Governance, Elected Members, Organisational, Support Services, Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Customer Service, Other Support Services, Revenues, Separate and Special Rates.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12 - Financial instruments

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

Accounting policies - Recognised financial instruments

Bank, deposits at call, short term deposits

Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.

Terms & conditions: Deposits are returning fixed interest rates between 1.5% and 2.15% (2017: 1.5% and 2.15%). Short term deposits have an average maturity of 1 days and an average interest rates of 1.5% (2017: 1days, 1.50%).

Carrying amount: approximates fair value due to the short term to maturity.

Receivables - Rates & associated charges (including legals & penalties for late payment)

Accounting policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & conditions: Secured over the subject land, arrears attract interest of 5.5% (2017: 7%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - Fees & other charges

Accounting policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

Terms & conditions: Unsecured, and do not bear interest. However, certain charges can be secured to a property where legislative criteria is met. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council boundaries and Council properties immediately surrounding Council boundaries.

Carrying amount: approximates fair value (after deduction of any allowance).

Receivables - other levels of government

Accounting Policy: Carried at nominal value.

Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying amount: approximates fair value.

Liabilities - Creditors and accruals

Accounting policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & conditions: Liabilities are normally settled on 30 day terms or in line with the specific terms and conditions of the supplier.

Carrying amount: approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting policy: Carried at the principal amounts. Interest is charged as an expense as it accrues.

Terms & conditions: secured over future revenues, borrowings are repayable (2 repayments per year with fixed terms of 10 and 15 years); interest is charged at fixed (or variable 3.75% as at 30 June 2018) rates between 5.05% and 5.97% (2017: 5.05% and 5.97%).

Carrying amount: approximates fair value.

Liabilities - Finance leases

Accounting policy: accounted for in accordance with AASB 117.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 12 (cont) - Financial instruments

Liquidity analysis

2018	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total contractual cash flows	Carrying values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash & equivalents	4,587	-	-	4,587	4,587
Receivables	883	-	-	883	883
Other financial assets	35	-	-	35	35
Total	5,505	-	-	5,505	5,505
Financial liabilities					
Payables	2,429	-	-	2,429	2,429
Current borrowings	218	-	-	218	218
Non-current borrowings	-	852	1,720	2,572	2,572
Total	2,647	852	1,720	5,219	5,219

2017	Due < 1 year	Due > 1 year; < 5 years	Due > 5 years	Total contractual cash flows	Carrying values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash & equivalents	3,028	-	-	3,028	3,028
Receivables	767	-	-	767	767
Other financial assets	33	35	-	68	68
Total	3,828	35	-	3,863	3,863
Financial liabilities					
Payables	2,605	-	-	2,605	2,605
Current borrowings	206	-	-	206	206
Non-current borrowings	-	838	1,952	2,790	2,790
Total	2,811	838	1,952	5,601	5,601

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

	30 June 2018		30 June 2017	
	Weighted average interest rate %	Carrying value \$'000	Weighted average interest rate %	Carrying value \$'000
Overdraft		-		-
Other variable rates		-		-
Fixed interest rates	5.96%	2,790	5.51	2,996
		<u>2,790</u>		<u>2,996</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 and 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 2018

Note 13 - Financial indicators

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.

The Information Paper was revised in May 2015 and the financial indicators for previous years have been re-calculated in accordance with the revised formulas.

	2018	2017
Operating surplus ratio		
$\frac{\text{Operating surplus}}{\text{Total operating revenue}}$	6.0%	6.00%

This ratio expresses the operating surplus as a percentage of total operating revenue.

Net financial liabilities ratio

$\frac{\text{Net financial liabilities}}{\text{Total operating revenue}}$	17%	28%
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Net financial liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Adjustments to ratios

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.

Adjusted operating surplus ratio	6.5%	1.8%
Net financial liabilities ratio	17%	29%

Asset sustainability ratio

$\frac{\text{Net asset renewals}}{\text{Infrastructure \& Asset Management Plan required expenditure}}$	72%	63%
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Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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.

	2018 \$'000	2017 \$'000
Income	30,101	30,347
less Expenses	<u>28,296</u>	<u>28,496</u>
Operating surplus / (deficit)	1,805	1,851
less Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	4,193	3,253
Depreciation, amortisation and impairment	(7,004)	(7,331)
Proceeds from sale of replaced assets	<u>(146)</u>	<u>(407)</u>
	(2,957)	(4,485)
less Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets <i>(including investment property & real estate developments)</i>	2,247	6,322
Amounts received specifically for new and upgraded assets	(445)	(2,189)
Proceeds from sale of surplus assets <i>(including investment property and real estate developments)</i>	<u>(71)</u>	<u>(105)</u>
	1,731	4,028
Net lending / (borrowing) for financial year	3,031	2,308

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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:

	2018 \$'000	2017 \$'000
Not later than one year	-	86
Later than one year and not later than 5 years	10	45
Later than 5 years	-	-
	<u>10</u>	<u>131</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 16 - Superannuation

The Council makes employer superannuation contributions in respect of its employees to the superannuation scheme selected by the employee. The default Superannuation Fund is 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 2017/18 and 2016/17) and enterprise bargaining agreement (1% in 2017/18 and 2016/17). 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 2016/17) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account plus an additional 1% per enterprise bargaining agreement. 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, Willis Towers Watson as at 30 June 2017. 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 2018

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 users 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 228 kilometres of road reserves of average width 20 metres.

2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of buildings, 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 \$34,936 (2017: \$110,000) at reporting date.

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

4. Legal expenses

Council is the relevant planning authority for its area pursuant to the Development Act 1993. Certain persons aggrieved by a planning decision of Council may appeal against the decision to the Environment, Resources and Development Court. It is normal practice as part of these proceedings 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, but the amount of further costs cannot be known until the appeals are determined.

City of Mount Gambier

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 18 - Related party disclosures

Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 17 persons were paid the following total compensation:

	2018
	\$'000
Salaries, allowances & other short term benefits	1,169
Post-employment benefits	96
Long term benefits	12
Termination benefits	148
Total	<u>1,425</u>

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council

	2018
	\$'000
Contributions for fringe benefits tax purposes	-
Planning and building applications fees	-
Rentals for Council property	-
Total	<u>-</u>

Parties related to Key Management Personnel

Two Key Management Personnel and/or relatives of Key Management Personnel are members in organisations that received Council support in the year, e.g. through sponsorship of community and sporting.

Key Management Personnel and/or relatives of Key Management Personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arms's length basis. No individual purchases from these businesses exceeded \$3,400 during the year.

No Key Management Personnel or close family member (including related parties) lodged a planning application during the year.

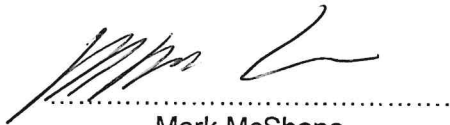
City of Mount Gambier

**Annual Financial Statements
for the year ended 30 June 2018**

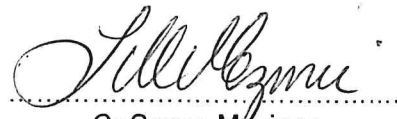
Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30 June 2018, 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



Cr Sonya Mezinac
**ACTING PRESIDING MEMBER
AUDIT COMMITTEE**

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
Tim Muhlhausler CA
Aaron Coonan CA
Luke Williams CA, CPA
Daniel Moon CA



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INDEPENDENT AUDITOR'S REPORT

To the members of the City of Mount Gambier

Opinion

We have audited the accompanying financial report of the City of Mount Gambier, which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of the City of Mount Gambier.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's Responsibility for the Financial Report

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 Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS



Tim Muhlhausler CA Registered Company Auditor
Partner

5 November 2018

David Chant CA, FCPA
Simon Smith CA, FCPA
David Sullivan CA, CPA
Jason Seidel CA
Renaë Nicholson CA
Tim Muhlhausler CA
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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROLS

To the Members of the City of Mount Gambier

Independent Assurance report on the Internal Controls of the City of Mount Gambier

Opinion

We have audited the compliance of the City of Mount Gambier (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2017 to 30 June 2018 have been conducted properly and in accordance with law.

In our opinion, the City of Mount Gambier has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2017 to 30 June 2018.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2017 to 30 June 2018. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the Local Government Act 1999 in relation only to the Internal Controls specified above for the period 1 July 2017 to 30 June 2018. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitation of Use

This report has been prepared for the members of the Council in Accordance with Section 129 of the Local Government Act 1999 in relation to the Internal Controls Specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

5 November 2018

CITY OF MOUNT GAMBIER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

STATEMENT BY AUDITOR

I confirm that, for the audit of the financial statements of the City of Mount Gambier for the year ended 30 June 2018, 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*.



Tim Muhlhausler

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Dated this 5th day of November 2018



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