



City of  
Mount Gambier



# FINANCIAL STATEMENTS

2022/2023

# City of Mount Gambier

## General Purpose Financial Statements

for the year ended 30 June 2023

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# City of Mount Gambier

## General Purpose Financial Statements

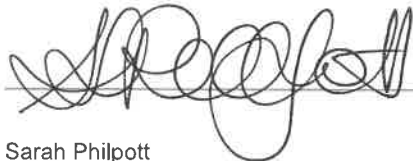
for the year ended 30 June 2023

### 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 2023 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.



Sarah Philpott  
**CHIEF EXECUTIVE OFFICER**

Date: 21/11/23



Lynette Martin  
**MAYOR**

Date: 21/11/23

# City of Mount Gambier

## Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Income</b>			
Rates	2a	24,893	23,822
Statutory charges	2b	731	633
User charges	2c	6,947	5,515
Grants, subsidies and contributions - capital	2g	1,071	716
Grants, subsidies and contributions - operating	2g	6,402	5,899
Investment income	2d	49	14
Reimbursements	2e	755	65
Other income	2f	1,263	498
<b>Total income</b>		<b>42,111</b>	<b>37,162</b>
<b>Expenses</b>			
Employee costs	3a	14,365	13,090
Materials, contracts and other expenses	3b	17,460	13,234
Depreciation, amortisation and impairment	3c	10,176	8,479
Finance costs	3d	1,094	358
<b>Total expenses</b>		<b>43,095</b>	<b>35,161</b>
Operating surplus / (deficit)		<b>(984)</b>	<b>2,001</b>
Physical resources received free of charge	2i	1,054	1,760
Asset disposal and fair value adjustments	4	(364)	(787)
Amounts received specifically for new or upgraded assets	2g	5,808	17,940
Net surplus / (deficit)		<b>5,514</b>	<b>20,914</b>
<b>Other comprehensive income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Changes in revaluation surplus - I,PP&E	8a	90,897	—
Impairment (expense) / recoupments offset to asset revaluation reserve	8a	(575)	—
<b>Total amounts which will not be reclassified subsequently to operating result</b>		<b>90,322</b>	<b>—</b>
<b>Total amounts which will be reclassified subsequently to operating result</b>		<b>—</b>	<b>—</b>
<b>Total other comprehensive income</b>		<b>90,322</b>	<b>—</b>
<b>Total comprehensive income</b>		<b>95,836</b>	<b>20,914</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# City of Mount Gambier

## Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	5a	76	250
Trade and other receivables	5b	4,155	2,974
Inventories	5c	67	64
<b>Total current assets</b>		<b>4,298</b>	<b>3,288</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	6	399,756	301,171
<b>Total non-current assets</b>		<b>399,756</b>	<b>301,171</b>
<b>TOTAL ASSETS</b>		<b>404,054</b>	<b>304,459</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7a	4,801	9,331
Borrowings	7b	3,088	1,222
Provisions	7c	3,011	2,784
<b>Total current liabilities</b>		<b>10,900</b>	<b>13,337</b>
<b>Non-current liabilities</b>			
Borrowings	7b	28,519	22,311
Provisions	7c	3,495	3,507
<b>Total non-current liabilities</b>		<b>32,014</b>	<b>25,818</b>
<b>TOTAL LIABILITIES</b>		<b>42,914</b>	<b>39,155</b>
<b>Net assets</b>		<b>361,140</b>	<b>265,304</b>
<b>EQUITY</b>			
Accumulated surplus		87,644	83,080
Asset revaluation reserves	8a	271,174	180,852
Other reserves	8b	2,322	1,372
<b>Total equity</b>		<b>361,140</b>	<b>265,304</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# City of Mount Gambier

## Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
<b>2023</b>					
Balance as at 1 July		83,080	180,852	1,372	265,304
Net surplus / (deficit) for year		5,514	—	—	5,514
<b>Other comprehensive income</b>					
Gain (loss) on revaluation of IPP&E	6a	—	90,897	—	90,897
IPP&E impairment (expense) / recoupments offset to ARR	6a	—	(575)	—	(575)
<b>Other comprehensive income</b>		—	90,322	—	90,322
<b>Total comprehensive income</b>		5,514	90,322	—	95,836
Transfers between reserves	8b	(950)	—	950	—
<b>Balance at the end of period</b>		<b>87,644</b>	<b>271,174</b>	<b>2,322</b>	<b>361,140</b>
<b>2022</b>					
Balance as at 1 July		66,406	175,462	884	242,752
Adjustments (correction of prior period errors)		(3,752)	5,390	—	1,638
Net surplus / (deficit) for year		20,914	—	—	20,914
<b>Total comprehensive income</b>		<b>20,914</b>	<b>—</b>	<b>—</b>	<b>20,914</b>
Transfers between reserves	8b	(488)	—	488	—
<b>Balance at the end of period</b>		<b>83,080</b>	<b>180,852</b>	<b>1,372</b>	<b>265,304</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# City of Mount Gambier

## Statement of Cash Flows

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Rates receipts		24,803	23,829
Statutory charges		731	633
User charges		6,947	4,335
Grants, subsidies and contributions		6,419	6,615
Investment receipts		49	14
Reimbursements		755	65
Other receipts		50	896
<u>Payments</u>			
Payments to employees		(14,081)	(13,157)
Payments for materials, contracts and other expenses		(15,666)	(13,845)
Finance payments		(720)	(136)
<b>Net cash provided by (or used in) operating activities</b>	9b	<u>9,287</u>	<u>9,249</u>
<b>Cash flows from investing activities</b>			
<u>Receipts</u>			
Grants utilised for capital purposes		1,071	–
Amounts received specifically for new or upgraded assets		5,142	20,443
Sale of replaced assets		40	112
Sale of surplus assets		20	–
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(5,370)	(5,623)
Expenditure on new/upgraded assets		(18,216)	(35,134)
<b>Net cash provided (or used in) investing activities</b>		<u>(17,313)</u>	<u>(20,202)</u>
<b>Cash flows from financing activities</b>			
<u>Receipts</u>			
Proceeds from loans		10,000	15,000
Proceeds from bonds and deposits		22	–
<u>Payments</u>			
Repayments of loans		(1,905)	(5,419)
Repayment of lease liabilities		(265)	(209)
Repayment of bonds and deposits		–	(62)
<b>Net cash provided by (or used in) financing activities</b>		<u>7,852</u>	<u>9,310</u>
<b>Net increase (decrease) in cash held</b>		<u>(174)</u>	<u>(1,643)</u>
plus: cash & cash equivalents at beginning of period		250	1,893
<b>Cash and cash equivalents held at end of period</b>	9a	<u>76</u>	<u>250</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Contents of the Notes accompanying the General Purpose Financial Statements

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# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 1. Summary of Significant Accounting Policies

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The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **(1) Basis of preparation**

##### **1.1 Compliance with Australian Accounting Standards**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011.

##### **1.2 Historical cost convention**

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

##### **1.2 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.

##### **1.3 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 consolidated financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

#### **(3) Income recognition**

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 1. Summary of Significant Accounting Policies (continued)

In recent years, the payment of untied grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference
2020/21	\$3,410,267	\$3,381,972	+ \$28,295
2021/22	\$5,134,125	\$3,891,585	+ \$1,242,540
2022/23	\$5,541,926	\$4,227,169	+ \$1,314,757

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.

#### 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. 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 also form part of Note 11.

#### (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.

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 1. Summary of Significant Accounting Policies (continued)

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#### **(6) Infrastructure, property, plant and 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.

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 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 6. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch art Collection.

##### **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. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 6.

##### **6.4 Depreciation of non-current assets**

Other than land, footpath nature strips, the Les Hill Collection and the Riddoch art Collection, 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. Waste management assets are depreciated on an asset capacity in use basis.

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 6. 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 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 subject to impairment testing.

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 inflows 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 2023

### Note 1. Summary of Significant Accounting Policies (continued)

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

Amounts other than grants 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**

Borrowings 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 avg. discount rate 3.85% (2022, 3.29%)

Weighted avg. settlement period 1 year (2022, 1 year)

##### **9.2 Superannuation**

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.

#### **(10) Provisions for reinstatement, restoration and rehabilitation**

Council operates the Caroline landfill site, incorporating cells which require capping upon complete fill. Capping and restoration costs can include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down 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.

As at the time of preparing these financial statements, the Council is undertaking a strategic review of its waste management and disposal activities which may impact on the projected remaining filling life of the landfill activities and the landfill capping and post closure strategies. The Council is in the process of developing a waste management strategic plan which may impact on the scope and timing of future works connected with the closure and rehabilitation of the landfill site. The Council is expecting to have all capping and closure liability estimates reviewed in FY 24 in line with the adoption of the waste management strategy. Consequently, the value of the landfill liability provisions may be subject to material changes once the review of the landfill capping and closure estimates is completed in line with the adoption of the waste management strategy. Users of the financial statements should be aware of this potential material change in the future and in context of the key assumptions and estimates relating to the landfill liabilities recorded on the Balance Sheet.

#### **(11) Leases**

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a lessee

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office equipment	3 to 5 years
Land Improvements	4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 6.5 - Impairment of non-financial assets above.

ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

(12) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 2. Income

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>(a) Rates</b>		
<b>General rates</b>		
General rates	20,874	19,944
Less: mandatory rebates	(240)	(236)
Less: discretionary rebates, remissions and write-offs	(18)	(17)
<b>Total general rates</b>	<b>20,616</b>	<b>19,691</b>
<b>Other rates (including service charges)</b>		
Landscape levy	1,240	1,213
Waste collection	2,916	2,790
<b>Total other rates (including service charges)</b>	<b>4,156</b>	<b>4,003</b>
<b>Other charges</b>		
Penalties for late payment	93	81
Legal and other costs recovered	28	47
<b>Total other charges</b>	<b>121</b>	<b>128</b>
<b>Total rates</b>	<b>24,893</b>	<b>23,822</b>
<b>(b) Statutory charges</b>		
Development Act fees	200	189
Town planning fees	171	147
Animal registration fees and fines	245	195
Parking fines / expiation fees	44	20
Other licences, fees and fines	71	82
<b>Total statutory charges</b>	<b>731</b>	<b>633</b>
<b>(c) User charges</b>		
Cemetery/crematoria fees	834	869
Hall and equipment hire	19	8
Sales - general	164	98
Sundry	305	199
Wulanda	1,310	—
Green Waste Collection	35	38
Landfill Charges	3,930	4,012
Sales - Waste Transfer Station	350	291
<b>Total user charges</b>	<b>6,947</b>	<b>5,515</b>
<b>(d) Investment income</b>		
Local Government Finance Authority	48	13
- Banks and other	1	1
<b>Total investment income</b>	<b>49</b>	<b>14</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 2. Income (continued)

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>(e) Reimbursements</b>		
Private works	9	16
Wulanda	649	–
Other	97	49
<b><u>Total reimbursements</u></b>	<b><u>755</u></b>	<b><u>65</u></b>
<b>(f) Other income</b>		
Insurance and other recoupments - infrastructure, property, plant and equipment	95	155
Sundry	285	261
Donations	64	59
Open Space Contributions	819	23
<b><u>Total other income</u></b>	<b><u>1,263</u></b>	<b><u>498</u></b>
<b>(g) Grants, subsidies and contributions</b>		
Amounts received specifically for new or upgraded assets	5,808	17,940
<b>Total</b>	<b>5,808</b>	<b>17,940</b>
<b>Other grants, subsidies and contributions - capital</b>		
Untied - Local Roads and Community Infrastructure	904	716
Boundary Roads Contributions	167	–
<b>Total Other grants, subsidies and contributions - capital</b>	<b>1,071</b>	<b>716</b>
<b>Other grants, subsidies and contributions</b>		
Regional Transport Subsidy Program	159	50
Untied - Financial Assistance Grant	5,542	5,134
Roads to Recovery	421	409
Library and communications	165	172
Sundry	115	134
<b>Total other grants, subsidies and contributions</b>	<b>6,402</b>	<b>5,899</b>
<b><u>Total grants, subsidies and contributions</u></b>	<b><u>13,281</u></b>	<b><u>24,555</u></b>
<b>(i) Sources of grants</b>		
Commonwealth Government	6,267	10,162
State Government	6,771	13,877
Other	243	516
<b>Total</b>	<b>13,281</b>	<b>24,555</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 2. Income (continued)

\$ '000	2023	2022
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#### (h) Conditions over grants and 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:

<b>Unexpended at the close of the previous reporting period</b>	435	427
<b>Less:</b>		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Pine Hall / O'Leary Road	(363)	(8)
Tertiary Education	(16)	(20)
State Bicycle	(19)	(19)
<b>Subtotal</b>	(398)	(47)
<b>Plus:</b>		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Pine Hall / O'Leary Road	–	2
Tertiary Education	24	22
State Bicycle	–	31
Pinehall Avenue (O'Leary Road to Sunnybrae Road)	208	–
Margaret Worth Exhibition	25	–
<b>Subtotal</b>	257	55
<b>Unexpended at the close of this reporting period</b>	294	435
<b>Net increase (decrease) in assets subject to conditions in the current reporting period</b>	(141)	8

#### (i) Physical resources received free of charge

Land and improvements	60	24
Roads	707	1,052
Other	–	10
Footpaths & Kerbing	287	674
<b>Total physical resources received free of charge</b>	<b>1,054</b>	<b>1,760</b>



# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 3. Expenses

\$ '000	Notes	2023	2022
<b>(a) Employee costs</b>			
Salaries and wages		11,755	11,095
Employee leave expense		1,405	863
Superannuation	16	1,352	1,268
Workers' compensation insurance		313	305
Other employee related costs		40	49
Less: capitalised and distributed costs		(500)	(490)
<b>Total operating employee costs</b>		<b>14,365</b>	<b>13,090</b>
Total number of employees (full time equivalent at end of reporting period)		135	135
<b>(b) Materials, contracts and other expenses</b>			
<b>(i) Prescribed expenses</b>			
Auditor's remuneration			
- Auditing the financial reports		27	25
Bad and doubtful debts		—	(72)
Elected members' expenses		218	224
Election expenses		166	9
<b>Subtotal - prescribed expenses</b>		<b>411</b>	<b>186</b>
<b>(ii) Other materials, contracts and expenses</b>			
Contractors		6,487	4,153
Energy		1,716	916
Legal expenses		193	201
Levies Paid to Government - Regional Landscape levy		1,241	1,209
Sundry		806	779
Contributions/Donations		460	464
Insurance		378	325
Levies Paid to Government - EPA, ESL & Dog Levies		1,985	2,065
Materials		1,413	1,035
Training		178	185
Water		158	121
Communication		274	263
Consultants		519	388
Licences and Subscriptions		1,241	944
<b>Subtotal - Other material, contracts and expenses</b>		<b>17,049</b>	<b>13,048</b>
<b>Total materials, contracts and other expenses</b>		<b>17,460</b>	<b>13,234</b>

Please note that the Contractors category has been restated in 2022 to be consistent with 2023 to include Maintenance.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 3. Expenses (continued)

\$ '000	2023	2022
(c) Depreciation, amortisation and impairment		
<b>(i) Depreciation and amortisation</b>		
Buildings and other structures	3,525	2,895
Infrastructure		
Stormwater Drainage	125	117
Kerbing and Footpaths	1,238	1,206
Roads	2,020	1,932
Carparks	256	257
Right-of-use assets	196	188
Plant and equipment	692	788
Waste Management	1,754	842
Office Equipment	208	115
Other assets	47	139
<b>Subtotal</b>	<b>10,061</b>	<b>8,479</b>
<b>(ii) Impairment</b>		
Capital Work In Progress	58	–
Other Assets	57	–
<b>Subtotal</b>	<b>115</b>	<b>–</b>
<b>Total depreciation, amortisation and impairment</b>	<b>10,176</b>	<b>8,479</b>
(d) Finance costs		
Interest on loans	1,079	126
Interest on leases	15	10
Unwinding of present value discounts	–	222
<b>Total finance costs</b>	<b>1,094</b>	<b>358</b>

### Note 4. Asset disposal and fair value adjustments

\$ '000	2023	2022
Infrastructure, property, plant and equipment		
<b>(i) Assets renewed or directly replaced</b>		
Proceeds from disposal	40	112
Less: carrying amount of assets sold	(404)	(899)
<b>Gain (loss) on disposal</b>	<b>(364)</b>	<b>(787)</b>
<b>(ii) Assets surplus to requirements</b>		
Proceeds from disposal	20	–
Less: carrying amount of assets sold	(20)	–
<b>Gain (loss) on disposal</b>	<b>–</b>	<b>–</b>
<b>Net gain (loss) on disposal or revaluation of assets</b>	<b>(364)</b>	<b>(787)</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 5. Current assets

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
<b>(a) Cash and cash equivalent assets</b>		
Cash on hand and at bank	76	250
<b><u>Total cash and cash equivalent assets</u></b>	<b><u>76</u></b>	<b><u>250</u></b>
<b>(b) Trade and other receivables</b>		
Rates - general and other	886	796
Accrued revenues	500	–
Debtors - general	2,603	1,411
GST recoupment	70	655
Prepayments	96	114
<b>Subtotal</b>	<b>4,155</b>	<b>2,976</b>
Less: provision for expected credit losses	–	(2)
<b><u>Total trade and other receivables</u></b>	<b><u>4,155</u></b>	<b><u>2,974</u></b>
<b>(c) Inventories</b>		
Stores and materials	37	41
Trading stock	30	23
<b><u>Total inventories</u></b>	<b><u>67</u></b>	<b><u>64</u></b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements for the year ended 30 June 2023

### Note 6. Infrastructure, property, plant & equipment and investment property

#### Infrastructure, property, plant and equipment

as at 30/06/22					Asset movements during the reporting period										as at 30/06/23			
	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in P/L) (Note 3c)	Impairment Loss (recognised in Equity) (Note 9)	WIP Transfers	Adjustments	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																		
Waste Management	3	1,683	8,548	(8,086)	2,145	–	–	–	(1,754)	–	–	–	–	(1)	10,231	–	(9,841)	390
Capital work in progress		–	57,789	–	57,789	1,132	1,119	–	–	(58)	–	(57,620)	–	–	–	2,362	–	2,362
Office Equipment		–	2,288	(1,609)	679	1,887	30	–	(208)	–	–	–	–	–	–	4,206	(1,818)	2,388
Land	2	15,601	–	–	15,601	–	–	–	–	–	–	–	–	2,438	18,039	–	–	18,039
Land	3	37,683	133	–	37,816	59	–	(32)	–	–	–	–	–	6,884	44,727	–	–	44,727
Riddoch Collection	3	3,515	10	–	3,525	–	–	–	–	–	–	–	–	831	4,356	–	–	4,356
Buildings and other structures	2	3,987	33	(2,131)	1,889	–	–	–	(101)	–	–	–	–	–	3,987	33	(2,232)	1,788
Buildings and other structures	3	102,030	1,343	(50,605)	52,768	5,025	889	(9)	(3,424)	–	–	57,043	–	–	101,198	64,300	(53,206)	112,292
Stormwater Drainage	3	8,022	127	(2,471)	5,678	1,693	11	–	(125)	–	–	–	–	–	8,022	1,831	(2,596)	7,257
Kerbing and Footpaths	3	74,038	3,533	(20,981)	56,590	1,836	411	(115)	(1,238)	–	–	39	–	16,757	95,653	–	(21,373)	74,280
Roads (sub-base, pavement, seal, traffic lights)	3	66,929	5,851	(22,021)	50,759	723	1,654	(247)	(1,989)	–	–	69	–	63,988	149,113	–	(34,156)	114,957
Public Lighting		–	–	–	–	861	243	–	(24)	–	–	469	–	–	–	1,573	(24)	1,549
Infrastructure - Other (Retaining walls, safety barriers)		–	248	(8)	240	19	145	–	(7)	–	–	–	–	–	–	412	(15)	397
Carparks	3	10,451	127	(3,122)	7,456	–	35	–	(256)	–	–	–	–	–	10,451	162	(3,378)	7,235
Right-of-use assets		–	593	(349)	244	–	229	–	(196)	–	–	–	–	–	–	614	(337)	277
Plant and equipment		–	9,385	(3,304)	6,081	730	87	(21)	(692)	–	–	–	–	–	–	10,151	(3,966)	6,185
Other assets		–	4,408	(2,497)	1,911	–	45	–	(47)	(57)	(575)	–	–	–	–	1,590	(313)	1,277
Total infrastructure, property, plant and equipment		323,939	94,416	(117,184)	301,171	13,965	4,898	(424)	(10,061)	(115)	(575)	–	–	90,897	445,777	87,234	(133,255)	399,756
Comparatives		326,726	49,881	(113,185)	263,422	39,586	5,864	(899)	(8,479)	–	–	–	1,676	–	323,939	94,416	(117,184)	301,171

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 6. Infrastructure, property, plant & equipment and investment property (continued)

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#### Valuation of infrastructure, property, plant & equipment and investment property

##### Valuation of assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 6a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

##### Information on valuations

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 buildings, infrastructure and other assets. These assets 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. Accordingly, formal sensitivity analysis does not provide useful information.

##### Other information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to *AASB 1.D5* to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

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, current replacement cost is taken to be the fair value.

##### Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

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.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 6. Infrastructure, property, plant & equipment and investment property (continued)

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

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

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

#### Transition to AASB 13 - Fair Value Measurement

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

#### Capitalisation Thresholds

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

	\$
Office Furniture & Equipment	1,000
Other Plant & Equipment	5,000
Buildings - new construction/extensions	5,000
Park & Playground Furniture & Equipment	1,000
Road construction & reconstruction	5,000
Paving & Footpaths, Kerb & Gutter	5,000
Stormwater Drainage	5,000
Waste Management	5,000

#### Estimated Useful Lives

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

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

Office Equipment	3 to 10 years
Vehicles and Road-making Equipment	3 to 25 years
Other Plant & Equipment	3 to 30 years

##### *Building & Other Structures*

Buildings	15 to 100 years
Park Structures	20 to 30 years
Playground Equipment	20 to 30 years
Benches, Seats, etc	10 to 30 years

##### *Waste Management*

Landfill assets	capacity in use
-----------------	-----------------

##### *Infrastructure*

Sealed Roads - Surface	12 to 40 years
Sealed Roads - Structure	30 to 150 years
Unsealed Roads	40 to 75 years
Paving and Footpaths, Kerb and Gutter	10 to 70 years
Carparks	20 - 60 years
Public Lighting	20 years
Stormwater Drainage	50 to 70 years

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 6. Infrastructure, property, plant & equipment and investment property (continued)

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#### *Other Assets*

Artworks and Historical Collections

indefinite

Right-of-Use Assets (refer to Note 15)

life of lease

#### **Land & Land Improvements**

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Land was last revalued in 2023 based on Valuer General's valuations provided to Council.

#### **Buildings & Other Structures**

Buildings and other structures were revalued as at 30 June 2020 by Mitch Ekonomopoulos of AssetVal Pty Ltd. Revaluations occur every four years. All additions are initially recorded at cost. The next valuation will be undertaken by AssetVal Pty Ltd as at 1 July 2023.

#### **Infrastructure**

Infrastructure assets including footpaths, kerbs and guttering, and road assets were revalued as at 30 June 2023 by an independent valuer Antonio Blefari MIE(Aust) NER iinSights Pty Ltd. There were no assets valued where it was assumed that the highest and best use was other than its current use.

The valuation of stormwater drainage and carpark assets will be undertaken by an independent valuer as at 1 July 2023.

#### **Waste Management - 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 on the cost basis.

#### **Artworks and Historical Collections**

The Riddoch art collection was revalued as at 30 June 2023 by Simon Storey Art and Cultural Collection valuers. These assets and other historical collections are not depreciated.

#### **All other Assets**

These assets are recognised on the cost basis in the case of signage and IT assets and depreciated over their useful lives.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 7. Liabilities

\$ '000	2023 Current	2023 Non Current	2022 Current	2022 Non Current
<b>(a) Trade and other payables</b>				
Goods and services	2,477	—	7,645	—
Payments received in advance	435	—	396	—
- Grants and contributions - capital	252	—	401	—
- Other	43	—	37	—
Accrued expenses - employee entitlements	400	—	331	—
Accrued expenses - other	1,068	—	398	—
Deposits, retentions and bonds	108	—	86	—
Other	18	—	37	—
<b>Total trade and other payables</b>	<b>4,801</b>	<b>—</b>	<b>9,331</b>	<b>—</b>

### (b) Borrowings

Loans	2,930	28,467	1,100	22,202
Lease liabilities	158	52	122	109
<b>Total Borrowings</b>	<b>3,088</b>	<b>28,519</b>	<b>1,222</b>	<b>22,311</b>

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

### (c) Provisions

Employee entitlements (including oncosts)	3,011	167	2,784	179
Future reinstatement / restoration, etc	—	3,328	—	3,328
<b>Total provisions</b>	<b>3,011</b>	<b>3,495</b>	<b>2,784</b>	<b>3,507</b>



# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 8. Reserves

	as at 30/06/22				as at 30/06/23
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
<b>(a) Asset revaluation reserve</b>					
Land	42,801	9,322	—	—	52,123
Buildings and other structures	53,310	—	—	—	53,310
Infrastructure	76,026	80,745	—	—	156,771
Plant and equipment	770	—	—	—	770
Minor Plant	34	—	—	—	34
Waste Management	2,926	(1)	—	—	2,925
Other assets	4,985	831	—	(575)	5,241
<b>Total asset revaluation reserve</b>	<b>180,852</b>	<b>90,897</b>	<b>—</b>	<b>(575)</b>	<b>271,174</b>
Comparatives	175,462	—	5,390	—	180,852

	as at 30/06/22				as at 30/06/23
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
<b>(b) Other reserves</b>					
Mount Gambier Cemetery	711	—	—	—	711
Mayor Christmas Appeal	92	5	—	—	97
Christmas Parade	—	—	—	—	—
Junior Sports Assistance Fund	122	6	—	—	128
Waste Management	150	120	—	—	270
Open Space	297	819	—	—	1,116
<b>Total other reserves</b>	<b>1,372</b>	<b>950</b>	<b>—</b>	<b>—</b>	<b>2,322</b>
Comparatives	884	488	—	—	1,372

### Purposes of reserves

#### Asset revaluation reserves

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.

#### Mount Gambier Cemetery

The Mount Gambier Cemetery reserve represents funds that have been separated for any development works or projects that may be required at the Carinya Gardens Cemetery and crematorium.

#### Mayor Christmas Appeal

The Mayor Christmas Appeal represents bank funds and payables of the City of Mount Gambier related to the Mayor Christmas Appeal 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 2023

### Note 8. Reserves (continued)

#### Christmas Parade

The Christmas Parade reserve represents bank funds and payables of the City of Mount Gambier related to the Christmas Parade 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.

#### Waste Management

Residual monies (income less expenses) from activities relating to waste collection.

#### Open Space

Monies held from creation of sub-divisions to be used for future open space projects.

### Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2023	2022
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#### (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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total cash and equivalent assets	5	76	250
<b>Balances per Statement of Cash Flows</b>		<b>76</b>	<b>250</b>

#### (b) Reconciliation of change in net assets to cash from operating activities

<b>Net surplus/(deficit)</b>	5,514	20,914
<b>Non-cash items in income statements</b>		
Depreciation, amortisation and impairment	10,176	8,479
Non-cash asset acquisitions	(1,054)	(8,252)
Grants for capital acquisitions treated as investing activity	(6,213)	(20,443)
Net (gain)/loss on disposals	364	787
	<b>8,787</b>	<b>1,485</b>
<b>Add (less): changes in net current assets</b>		
Net (increase)/decrease in receivables	(1,179)	1,759
Change in allowances for under-recovery of receivables	2	154
Net (increase)/decrease in inventories	(3)	(17)
Net (increase)/decrease in other assets	(4)	—
Net increase/(decrease) in trade and other payables	1,469	6,543
Net increase/(decrease) in unpaid employee benefits	215	(107)
Net increase/(decrease) in other provisions	—	(568)
<b>Net cash provided by (or used in) operations</b>	<b>9,287</b>	<b>9,249</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 9. Reconciliation to Statement of Cash Flows (continued)

#### (c) Non-cash financing and investing activities

##### Acquisition of assets by means of:

Physical resources received free of charge	21	1,054	1,760
Amounts recognised in income statement		1,054	1,760

##### Non-cash financing (other)

Leases		229	203
Estimated future reinstatement etc. costs		–	264
<b>Total non-cash financing and investing activities</b>		<b>1,283</b>	<b>2,227</b>

#### (d) Financing arrangements

##### Unrestricted access was available at balance date to the following lines of credit (\$ '000):

Bank overdrafts	250	250
Corporate credit cards	30	30
LGFA cash advance debenture facility	21,500	30,000

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 2023

### Note 10(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.  
Details of these Functions/Activities are provided in Note 10(b).

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions/Activities										
Administration / Support Services	29,541	28,044	8,634	6,880	20,907	21,164	5,542	5,148	9,675	9,226
Community Support	858	875	1,257	1,354	(399)	(479)	—	—	14,432	13,447
Culture	401	390	4,702	4,245	(4,301)	(3,855)	207	203	34,782	32,827
Economic Development	150	162	2,218	2,060	(2,068)	(1,898)	—	34	4,116	3,840
Environment	6,158	5,834	10,904	10,192	(4,746)	(4,358)	178	50	8,865	10,361
Recreation	3,128	866	7,950	3,897	(4,822)	(3,031)	957	771	130,286	113,266
Regulatory Services	1,539	587	1,253	1,002	286	(415)	—	—	13	18
Transport	624	444	3,809	3,788	(3,185)	(3,344)	589	409	189,666	106,662
Engineering / Indirect	(295)	(56)	2,351	1,721	(2,646)	(1,777)	—	—	7,999	8,186
Unclassified Activities	—	—	—	—	—	—	—	—	—	—
Other	7	16	17	22	(10)	(6)	—	—	4,220	6,626
Total Functions/Activities	42,111	37,162	43,095	35,161	(984)	2,001	7,473	6,615	404,054	304,459

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.  
The allocation methodology has changed with 2022 restated.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 10(b). Components of functions

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**The activities relating to Council functions are as follows:**

#### **Administration / Support Services**

Governance, elected members, organisational, support services, accounting/finance, payroll, human resources, information technology, communication, rates administration, records, occupancy, customer service, other support services, revenues, separate and special rates.

#### **Community Support**

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, street-scaping, Natural Resource Management levy, and other environment.

#### **Recreation**

Parks and gardens, sports facilities – indoor, sports facilities – outdoor, swimming centres – Outdoor, and other recreation.

#### **Regulatory services**

Dog and cat control, building control, town planning, clean air/pollution control, litter control, health inspection, parking control, and other regulatory services.

#### **Transport**

Footpaths and kerbing, roads – sealed, roads – formed, roads – natural formed, roads – unformed, traffic management and other transport.

#### **Engineering / Indirect**

Depot management, indirect and general plant cost not included in other functions.

### Note 11. Financial instruments

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#### **Recognised financial instruments**

##### **Bank, deposits at call, short term deposits**

##### **Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

##### **Terms & Conditions:**

Deposits are returning fixed interest rates between 1.05% and 4.30% (2022: 0.3% and 1.05%).

##### **Carrying Amount:**

Approximates fair value due to the short term to maturity.

##### **Receivables - rates and associated charges**

##### **Accounting Policy:**

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 11. Financial instruments (continued)

---

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

**Terms & Conditions:**

Secured over the subject land, arrears attract interest of 0.48% (2022: 0.42%). 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 and other charges**

**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

**Terms & Conditions:**

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

#### **Receivables - other levels of government**

**Accounting Policy:**

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

**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.

**Carrying Amount:**

Approximates fair value.

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 11. Financial instruments (continued)

#### Liabilities - interest bearing borrowings

##### Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

##### Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 1.55% and 6.05% (2022: 1.3% and 5.97%).

##### Carrying Amount:

Approximates fair value.

#### Liabilities - leases

##### Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>Financial assets and liabilities</b>					
<b>2023</b>					
<b>Financial assets</b>					
Cash and cash equivalents	76	—	—	76	76
Receivables	3,478	—	—	3,478	4,059
<b>Total financial assets</b>	<b>3,554</b>	<b>—</b>	<b>—</b>	<b>3,554</b>	<b>4,135</b>
<b>Financial liabilities</b>					
Non-current borrowings	5,545	16,675	11,050	33,270	28,467
Payables	4,071	—	—	4,071	3,038
Current borrowings	4,196	—	—	4,196	2,930
Lease liabilities	158	52	—	210	210
<b>Total financial liabilities</b>	<b>13,970</b>	<b>16,727</b>	<b>11,050</b>	<b>41,747</b>	<b>34,645</b>
<b>Total financial assets and liabilities</b>	<b>17,524</b>	<b>16,727</b>	<b>11,050</b>	<b>45,301</b>	<b>38,780</b>
<b>2022</b>					
<b>Financial assets</b>					
Cash and cash equivalents	250	—	—	250	250
Receivables	2,860	—	—	2,860	2,860
<b>Total financial assets</b>	<b>3,110</b>	<b>—</b>	<b>—</b>	<b>3,110</b>	<b>3,110</b>
<b>Financial liabilities</b>					
Non-current borrowings	6,350	8,139	12,630	27,119	22,202
Payables	8,498	—	—	8,498	8,498
Current borrowings	1,925	—	—	1,925	1,100
Lease liabilities	122	109	—	231	231
<b>Total financial liabilities</b>	<b>16,895</b>	<b>8,248</b>	<b>12,630</b>	<b>37,773</b>	<b>32,031</b>
<b>Total financial assets and liabilities</b>	<b>20,005</b>	<b>8,248</b>	<b>12,630</b>	<b>40,883</b>	<b>35,141</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 11. Financial instruments (continued)

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

\$ '000	2023		2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other variable rates	5.51%	5,545	2.42%	6,350
Fixed interest rates	5.12%	26,062	5.19%	17,183
		<u>31,607</u>		<u>23,533</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 impairment. 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.

### Note 12. Capital expenditure and investment property commitments

\$ '000	2023	2022
<b>Capital commitments</b>		
<b>Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:</b>		
Buildings & Other Structures	1,135	6,579
- Roads	10	–
Plant and equipment	965	542
Waste	3,203	–
Other	–	341
	<u>5,313</u>	<u>7,462</u>
<b>These expenditures are payable:</b>		
Not later than one year	5,313	7,462
	<u>5,313</u>	<u>7,462</u>



# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 13. Financial indicators

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021
Financial Indicators overview				
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.				
1. Operating Surplus Ratio				
Operating surplus	(984)	(2.3)%	5.4%	(5.2)%
Total operating income	42,111			
This ratio expresses the operating surplus as a percentage of total operating revenue.				
2. Net Financial Liabilities Ratio				
Net financial liabilities	38,683	92%	97%	62%
Total operating income	42,111			
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.				
Adjusted Operating Surplus Ratio				
Operating surplus	(2,299)	(5.6)%	2.1%	(5.3)%
Total operating income	40,796			
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. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.				
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	43,038	105%	108%	67%
Total operating income	40,796			
3. Asset Renewal Funding Ratio				
Asset renewals	5,370	88%	79%	84%
Infrastructure and Asset Management Plan required expenditure	6,077			
Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.				
It should be noted that the Infrastructure and Asset Management Plan required expenditure has been restated in 2023 for the change in accounting policy where library books are no longer treasted as capital expenditure.				

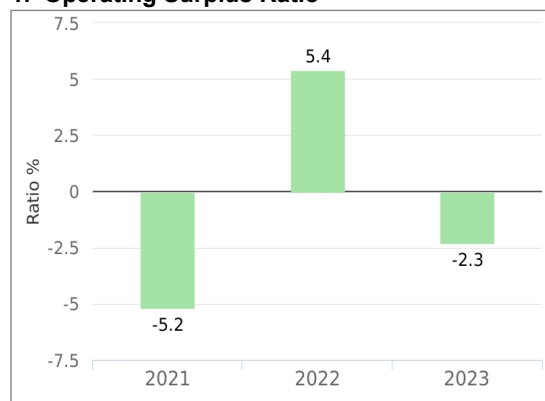
# Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

## Note 13. Financial indicators (continued)

### Financial indicators - graphs

#### 1. Operating Surplus Ratio



#### Purpose of operating surplus ratio

This indicator is to determine the percentage the operating revenue varies from operating expenditure

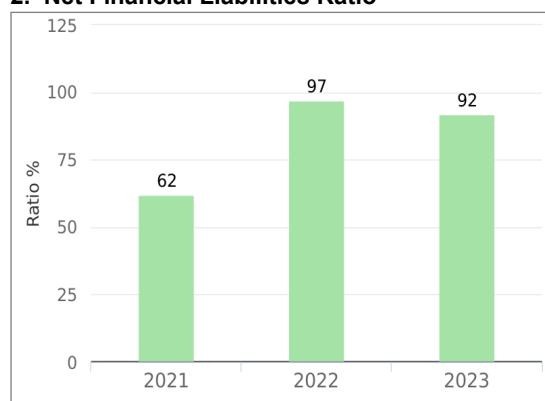
#### Commentary on 2022/23 result

2022/23 ratio (2.3)%

The operating surplus ratio in 2023 is lower than the previous year driven by the first year of Wulanda operations, and impact of the higher actual inflation on operating expenditure

The target as per Council's Treasury Management Policy is a ratio of greater or equal to 0.0% by 2026/27.

#### 2. Net Financial Liabilities Ratio



#### Purpose of net financial liabilities ratio

This indicator shows the significance of the net amount owed to others, compared to operating revenue

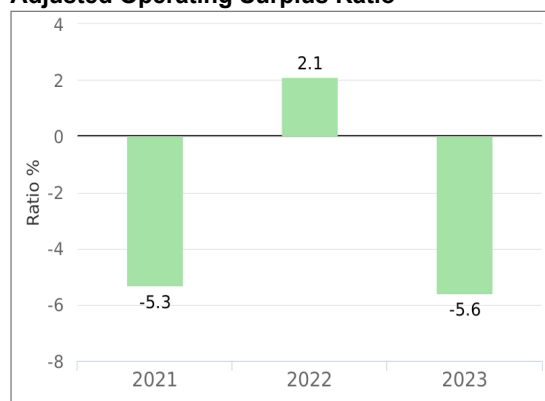
#### Commentary on 2022/23 result

2022/23 ratio 92%

The 2023 ratio is lower than the previous year mainly due to increased revenue (grants and Wulanda operations) which more than offsets the impact of increased borrowings and lower creditors/higher debtors.

Due to timing of the Wulanda project and associated borrowings the ratio is lower than the target of lower than 100% by 2026/27

#### Adjusted Operating Surplus Ratio



#### Purpose of adjusted operating surplus ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

#### Commentary on 2022/23 result

2022/23 ratio (5.6)%

The adjusted operating ratio is more in line with expectations following the adjustment to remove the impact of the brought forward Financial Assistance Grants.

City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

Note 13. Financial indicators (continued)

Adjusted Net Financial Liabilities Ratio

<table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2021</td><td>67</td></tr><tr><td>2022</td><td>108</td></tr><tr><td>2023</td><td>105</td></tr></table>	Year	Ratio %	2021	67	2022	108	2023	105	<div><h3>Purpose of adjusted net financial liabilities ratio</h3><p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p></div>	<div><h3>Commentary on 2022/23 result</h3><table><tr><th>2022/23 ratio</th><td>105%</td></tr></table><p>Aligned with the unadjusted Net Financial Liabilities ratio above, the decrease in the revenue is driven by the greater increase in operating revenue (excluding the impact of Financial Assistance Grants).</p></div>	2022/23 ratio	105%
Year	Ratio %											
2021	67											
2022	108											
2023	105											
2022/23 ratio	105%											

3. Asset Renewal Funding Ratio

<table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2021</td><td>84</td></tr><tr><td>2022</td><td>79</td></tr><tr><td>2023</td><td>88</td></tr></table>	Year	Ratio %	2021	84	2022	79	2023	88	<p>Purpose of asset renewal funding ratio</p>	<p>Commentary on 2022/23 result</p>
	Year	Ratio %								
	2021	84								
2022	79									
2023	88									
<p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>	<p>2022/23 ratio 88%</p>									
	<p>Council develop and adopt revised Asset Management Plans annually which provide guidance of when and how much needs to be spent to maintain Council's infrastructure.</p> <p>Disruptions and supply shortages including equipment, materials and labour have impacted on the timing of the delivery of planned works. These projects are expected to be completed in the 2023/24 financial year.</p>									

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 14. Uniform presentation of finances

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
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.		
<u>Income</u>		
Rates	24,893	23,822
Statutory charges	731	633
User charges	6,947	5,515
Grants, subsidies and contributions - capital	1,071	716
Grants, subsidies and contributions - operating	6,402	5,899
Investment income	49	14
Reimbursements	755	65
Other income	1,263	498
<b>Total Income</b>	<b>42,111</b>	<b>37,162</b>
<u>Expenses</u>		
Employee costs	14,365	13,090
Materials, contracts and other expenses	17,460	13,234
Depreciation, amortisation and impairment	10,176	8,479
Finance costs	1,094	358
<b>Total Expenses</b>	<b>43,095</b>	<b>35,161</b>
<b>Operating surplus / (deficit)</b>	<b>(984)</b>	<b>2,001</b>
Timing adjustment for grant revenue	17	–
<b>Adjusted Operating surplus / (deficit)</b>	<b>(967)</b>	<b>2,001</b>
<b>Net outlays on existing assets</b>		
Capital expenditure on renewal and replacement of existing assets	(5,370)	(5,623)
Add back depreciation, amortisation and impairment	10,176	8,479
Add back proceeds from sale of replaced assets	40	112
	<b>4,846</b>	<b>2,968</b>
<b>Net outlays on new and upgraded assets</b>		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(18,216)	(35,134)
Add back amounts received specifically for new and upgraded assets	5,142	20,443
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	20	–
	<b>(13,054)</b>	<b>(14,691)</b>
<b>Annual net impact to financing activities (surplus/(deficit))</b>	<b>(9,175)</b>	<b>(9,722)</b>

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 15. Leases

#### (i) Council as a lessee

##### Terms and conditions of leases

Council entered contracts as a lessee for various IT equipment.

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment.

#### (a) Right of use assets

\$ '000	Office	Other	Total
<b>2023</b>			
Opening balance	244	–	244
Additions to right-of-use assets	229	–	229
Depreciation charge	(195)	–	(195)
Balance at 30 June	278	–	278
<b>2022</b>			
Opening balance	217	11	228
Additions to right-of-use assets	204	–	204
Depreciation charge	(177)	(11)	(188)
Balance at 30 June	244	–	244

#### (b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

\$ '000	2023	2022
Balance at 1 July	231	228
Additions	229	202
Accretion of interest	15	10
Payments	(265)	(209)
<b>Balance at 30 June</b>	<b>210</b>	<b>231</b>
<b>Classified as:</b>		
Current	158	122
Non-current	52	109

The maturity analysis of lease liabilities is included in Note 13.

The Group had total cash outflows for leases of \$210,000.

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	195	188
Interest expense on lease liabilities	15	10
Total amount recognised in profit or loss	210	198

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 15. Leases (continued)

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#### (ii) Council as a lessor

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.

### Note 16. Superannuation

---

The Council makes employer superannuation contributions in respect of its employees to Hostplus (formerly Statewide Super). 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 (10.50% in 2022/23; 10.0% in 2021/22) and enterprise bargaining agreement (1% in 2023 and 2022). 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 2021/22) of "superannuation" salary.

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. 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.

### Note 17. Contingencies and assets/liabilities not recognised in the balance sheet

---

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### **1. Land under roads**

As reported in the Financial 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 the reports. Land acquired

# City of Mount Gambier

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

### Note 17. Contingencies and assets/liabilities not recognised in the balance sheet

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 231.9 km of road reserves of average width 20 metres.

#### 2. Potential insurance losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", 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. Legal expenses

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

### Note 18. Related party transactions

#### Key management personnel

##### Transactions with 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, 20 persons were paid the following total compensation:

\$ '000	2023	2022
<b>The compensation paid to key management personnel comprises:</b>		
Salaries, allowances & other short term benefits	1,327	1,005
Post-employment benefits	119	82
Long-term benefits	41	—
<b>Total</b>	<b>1,487</b>	<b>1,087</b>

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 arm's length basis. No individual purchases from these businesses exceeded \$223.35 with the total cumulative spend for 22/23 being \$2,227.94.

One key management personnel and/or relatives of key management personnel are members in a community based not-for-profit organisation that Council engage for contractual labour hire services including apprentices and trainees.

No key management personnel and/or relatives of key management personnel are member in organisations that receive Council support in the year for through community or sporting sponsorships.

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Dean Newbery  
ABN: 48 007 865 081

## 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 (the Council), which comprises the statement of financial position as at 30 June 2023, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulation 2011* and the Australian Accounting Standards.

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as 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 auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (Including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other 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.

## Emphasis of Matter

We draw attention to Note 1 regarding disclosures concerning the treatment of Council's liability associated with landfill capping and restoration provisions. As a result of strategic review being undertaken on Council's waste management and disposal activities, this may result in a material movement to the landfill liabilities in future financial years. Our opinion is not modified in respect of this matter.

## Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as Council determines is necessary to enable the preparation of the financial report to be 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 relating 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 Responsibilities 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 the audit conducted in accordance with the 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 financial report.

As part of an audit in accordance with the 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 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 Council.
- Conclude on the appropriateness of the 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.

**DEAN NEWBERY**



**SAMANTHA CRETEN**  
Director

**27/11/2023**

**HEAD OFFICE**

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Dean Newbery  
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## INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF MOUNT GAMBIER

### Opinion

In our opinion, the City of Mount Gambier (the Council) has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to the Internal Controls established by the Council relating 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 2022 to 30 June 2023.

### Basis for opinion

We have audited the Internal Controls of the Council under 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 2022 to 30 June 2023 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard 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 Auditing and Assurance Standards Board.

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

### The Council's Responsibility for the 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, the 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 applying Auditing Standard *ASQC 1 Quality Control for Firms that Perform Audits and Review of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking the assurance engagement.

## **Assurance Practitioner's Responsibilities**

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 have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness to the controls that we consider necessary to achieve the control objectives identified. An Assurance engagement of this type also includes evaluating the suitability of the control objectives.

## **Limitation on Use**

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) 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.

## **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 operating effectiveness of 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.

**DEAN NEWBERY**



**SAMANTHA CRETEN**  
Director

**27/11/2023**

## City of Mount Gambier

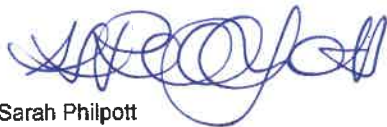
### General Purpose Financial Statements

for the year ended 30 June 2023

#### Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier Council for the year ended 30 June 2023 the Council's Auditor, Dean Newbery and Partners 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*.



Sarah Philpott  
CHIEF EXECUTIVE OFFICER



Paul Duka  
PRESIDING MEMBER, AUDIT AND RISK COMMITTEE

Date:

14/11/23

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## Certification of Auditor's Independence

I confirm that, for the audit of the financial statements of the City of Mount Gambier for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, 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*.



**SAMANTHA CRETEN**

**Director**

**DEAN NEWBERY**

**27/11/2023**